FINANCIAL TIMES

No. 27,532 Wednesday April 12 1978 **15p

CONTINENTAL SELLING PRICES: AUSTRIA Sch.15; BELGIUM Fr.25; DENMARK Kr.3.5; FRANCE Fr.3.0; GERMANY DM2.0; ITALY L.500; NETHERLANDS Fl.2.0; NORWAY Kr.3.5; PORTUGAL Esc.20; SPAIN Ptas.40; SWEDEN Kr.3.25; SWITZERLAND Fr.2.0; EIRE 15p

Public spending up £550m. ● Aid for small businesses ● Lending rate raised to 7½%

£2bn. income tax cut to bring 3% growth

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CUTS in income-tax worth nearly £2bn. in 1978-79, and £2½bn. in a full financial year, were announced yesterday by Mr. Denis Healey, the Chancellor of the Exchequer, with the aim of encouraging "a level of economic activity sufficient to get unemployment moving significantly down."

The measures are clearly aimed at satisfying—in part at least—a wide range of political and personal aspirations in a pre-election period as well as meeting the test of markets.

Apart from holding out the overall prospect of a rise in average living standards of over 7 per cent. in the year to this summer, Mr. Healey has responded to City concern over the growth of the money supply by introducing a lower target rate of increase for 1978-79 and by increasing Minimum Lending Rate by a full point to 7½ per cent.

At the same time, some of the demands of the TUC and the Labour Party have been reflected in the introduction of a reduced rate band of income-tax, and in the rise in child benefits; while Mr. Healey went out of his way to deal specifically with the Liberal Party's concerns, notably in the proposals on profit sharing and the expected proposals to aid small businesses.

The Budget measures will, however, be insufficient to offset the deterioration in other economic factors, notably the foreign trade outlook, since the last statement by Mr. Healey in October.

The Treasury was then projecting a rise in real Gross Domestic Product of 3½ per cent. between the second halves of 1977 and 1978, but even after the Budget measures it is now forecasting an increase of 3 per cent. on the same comparison.

The net effect of the tax cuts is to raise the projected rate of growth during the coming 12 months from 2 to 2½ per cent. (without any stimulus) to 3 per cent.

However, even on the Treasury's own stated calculations a growth rate of 3 per cent. is required before the rise in unemployment is halted, though the figures are uncertain. Mr. Healey was noticeably reticent in his speech about references to the likely trend in unemployment as distinct from his objectives.

The official forecasts published yesterday highlight the limitations on the Chancellor's room for manoeuvre. The current account surplus this year, for example, is now projected at £750m. in 1978, half the level forecast last October, and the surplus is expected to decline to an annual rate of £500m. in the first half of next year.

The 12-month rate of retail price inflation is likely to reach 7 per cent. in the spring or early summer and remain fairly steady at about this level

The Treasury warns in its forecasts that there could be a slight acceleration in the annual rate to 8 per cent. by the spring of 1979. This is based on the somewhat obscure, and possibly optimistic, assumptions which effectively imply a drop in the rate of increase in earnings from about 14 per cent. in the present pay round to roughly 7 per cent. next year.

A decline in sterling is also implicitly assumed with references both to the exchange rate being determined primarily by market forces and to an improvement in labour cost competitiveness.

Mr. Healey warned in his speech that the U.K. would be unable to prevent a significant rise in the inflation rate next year unless wages rose much less than this year. His concern about inflation was clearly reflected in his decision to propose only a negligible rise in indirect taxes.

He placed much less emphasis on any kind of formal incomes policy than in recent years with no mention of any Phase Four as such.

However, he stressed his measures' impact on living standards and proposed early discussions with both sides of industry to discuss what kind of policies would be appropriate "both in the field of prices and earnings."

The Chancellor said monetary policy was the other part of his counter-inflation policy, and that the likely increase in sterling M3, the broadly defined money supply, in the year ending in mid-April would be just above the 9 to 13 per cent. target range.

WHAT THE CHANGES MEAN

Income £	Old tax £	New tax £	Tax cut £
Single persons			
5,000 p.a.	1,378.70	1,297.60	81.10
10,000 p.a.	3,420.25	3,170.00	250.25
15,000 p.a.	6,478.50	6,047.25	431.25
Married couples (no children)			
5,000 p.a.	1,205.30	1,110.60	94.70
10,000 p.a.	3,162.50	2,921.75	240.75
15,000 p.a.	6,144.25	5,689.75	454.50

Sterling M3 had grown in the month to mid-March by only ½ per cent., "confirming that the trend of monetary growth has come back into the desired range."

However, he attempted to allay City fears in this field by announcing a target range of increase of 8 to 12 per cent. for 1978-79 and by increasing Minimum Lending Rate, both for domestic and international reasons.

The main monetary feature to arouse possible concern is likely to be the projected public sector borrowing requirement of £8.54bn. in 1978-79.

This is slightly higher than expected and compares with a £8.6bn. ceiling for the year agreed with the International Monetary Fund. Continued on Back Page

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BUDGET SUMMARY

Lower rate band of 25%

INCOME TAX: Total reductions of £2.4bn. in full year. Lower rate of tax at 25 per cent. on first £750 of taxable income will affect 4m. lower paid. Single person's allowance and wife's earnings allowance raised by £40 to £985 and married allowance by £80 to £1,535. Additional allowance for one-parent families increased by £40 to £550. Pensioners' age allowance increased by £50 for single person, £90 for married. Age allowance income limit raised to £4,000. Cost of introduction of lower band will be £1.6bn., with personal allowance changes costing £550m.

TAX BANDS: Upper limit of basic rate goes up from £6,000 to £7,000. The 40 per cent. band will remain on next £1,000, followed by two bands of £1,000, two of £1,500, one of £2,000, one of £2,500 and one of £5,500. The 83 per cent. rate will be reached at a taxable income of £23,000 compared with present £21,000.

INVESTMENT INCOME SURCHARGE: Threshold for 10 per cent. rate of surcharge raised from £1,500 to £1,700. Threshold for 15 per cent. rate goes up from £2,000 to £2,250. Special help for retired people paying the surcharge.

Exemption limit

CHILD dependency allowance exemption limit for widows and other social security beneficiaries raised to £80. Income limit on child's earned income increased from £350 to £500.

BENEFITS IN KIND: The earnings limit above which the special rules for taxing benefits in kind apply increased from £7,500 to £8,500 from the year 1979/80.

TAX AVOIDANCE: Retrospective legislation against "commodity carry" scheme. Three other schemes to be stopped.

PROFIT-SHARING: Scheme to be spelt out in Finance Bill. Will make employees eligible for up to £500 shares a year tax free.

SELF-EMPLOYED and partners living in the U.K. and working abroad to receive similar relief on earnings abroad to that granted to employees last year.

DIVERS: To be taxed under Schedule D instead of Schedule E, a concession principally aimed to benefit those involved in operations in the North Sea.

SAVINGS: New issue of savings certificate in June with yield of just under 6.8 per cent. a year over its four-year life, and maximum holding for any one saver of £2,000.

UNIT TRUSTS: Corporation tax rate on these and approved investment trust reduced to 10 per cent. on chargeable gains from April 1, 1977.

STOCK RELIEF: To continue indefinitely until permanent scheme, based on inflation accounting, can be introduced. If no progress next year, legislation to write-off balance of first two years' relief—also all relief on balance after six years.

PENSIONS: Married couple's pension increased by £3.20 to £31.20 in November. Single person's pension up £2 to £19.50.

CHILD BENEFIT: Rate to be increased in April 1979 to £4 for all children. As a first instalment 70p increase to be paid in November, bringing rate to £3 for all children. Premium for first children of one parent families to be doubled from £1 to £2 in November.

CIGARETTES: Supplementary duty on higher tar yield cigarettes—those with tar yield of 20 milligrammes or more—from September 4. Prices, if higher tax passed on in full, up by 3½p and 7p for 20.

CORPORATION TAX: Rates unchanged. Profits limit for small companies raised from £40,000 to £50,000. Limit for marginal relief (tapering between 42 and 52 per cent.) raised from £65,000 to £85,000. To apply from March 31, 1977.

Relief on losses

CAPITAL GAINS TAX: On gifts within family or to employees, tax to be deferred until assets sold. Losses on loans and guarantees to qualify for CGT relief. Limit for retirement relief raised from £20,000 to £50,000. Gains up to £1,000 in any year exempt. Rate cut from 30 to 15 per cent. on gains of £1,000-£5,000. Marginal relief up to £9,500. Effective April 6, 1977.

VALUE ADDED TAX: Registration threshold raised from £7,500 to £10,000. Relief against VAT for bad debts where debtor insolvent.

LOSSES: Unincorporated businesses will be able to set trading losses made in early years against income received previously.

FARMERS: Able to average incomes for income tax purposes over two years if incomes vary by 30 per cent. or more. Farm building allowance in first year raised to 30 per cent.

HOTELS: Construction or extension begun from yesterday qualifies for 20 per cent. initial capital allowance and 4 per cent. annual allowance for hotel of at least 10 bedrooms.

GROWTH RATE: Budget gives full year stimulus to economy of some £2.5bn. (£2bn. in 1978-79). Will add ¾ per cent. more to output in the next 12 months. GDP should increase by total of 3 per cent. at 1970 prices—the biggest rise for five years.

PAY RATES: Chancellor warned inflation rate would rise significantly next year unless there are much lower increases in wages than this year.

MINIMUM LENDING RATE: Increased yesterday from 6½ per cent. to 7½ per cent. by Bank of England.

MONETARY POLICY: M3 target growth range for 1978/9 to be 8 to 12 per cent. Level of DCE will be below £6bn. set out in Letter of Intent to IMF in 1976. Rolling six monthly targets will be adopted for M3. In March, M3 grew by only one half per cent. and M1 slightly less. Figures for M3 in 1977/78 will probably be just above 9 to 13 per cent. range, but under 14 per cent.

PUBLIC SECTOR BORROWING: Requirement for 1978/79 forecast at £8.5bn., 5.25 per cent. of GDP.

Contingency reserves

PUBLIC EXPENDITURE: Total additional expenditure of £550m. in 1978-79 (at 1977 prices) to be taken from £750m. contingency reserves.

HEALTH SERVICE: To receive £50m. in 1978-1979; education £40m.; environmental services £20m., including small factories in rural areas.

SCHOOL MEALS: Planned autumn increase in charges dropped. EEC subsidy for school milk to be used to provide free school milk for seven to 11 year olds. Net cost of these two measures in 1978-79 £68m.

IMF LOANS: Arrangements to be made to prepay a further $1bn. to the IMF this year in addition to the $1bn. prepayment announced in January.

NEW BOND: British Government $350m. issue to be made in the New York market in two tranches of seven and 15 years respectively.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
d Breweries	89 + 3	Huntleigh	94 + 8
d. Biscuit	82 + 8	Johnson Cleaners	95 + 7
ham	650 + 10	LK Industrial	93 + 8
(A.)	238 + 10	Letraset	159 + 8
sh Leyland	29 + 5	ML Holdings	107 + 5
berhood (P.)	140 + 14	Mothercare	160 + 6
rn (J.)	304 + 4	Sirdar	67 + 6
llers	151 + 6	600 Group	77 + 3
	328 + 13	Woolworth (F. W.)	67½ + 2½
derson (J. & W.)	154 + 10	De Beers Dfd.	371 + 8
		RTZ	195 + 3

Selection Trust	402 + 6
Tasminex	85 + 15
West Driefontein	£19 + 1
FALLS	
Exchq. 8½pc 1981	£96¾ − ¼
Exchq. 10½pc 1995	£89½ − ¾
Bellway	60 − 5
Matthews Wrightson	185 − 5
Sparrow (G. W.)	104 − 6

Ministers confident they have won time

BY RICHARD EVANS, LOBBY EDITOR

MINISTERS WERE convinced, following initial reactions to the Budget last night, that the Government could stay in office until the summer recess, thus leaving Mr. James Callaghan to choose the timing of a General Election.

What was not clear, however, was how effective the Budget would be in achieving its objective of halving average pay increases in the next round of wage negotiations, starting on August 1.

Many Labour MPs doubted that it would have a great impact in persuading the trade unions to curb wage demands for a further year, or that the scale of income-tax cuts would benefit Labour sufficiently in electoral terms.

Reaction from Labour MPs was generally unenthusiastic, but mildly favourable. Conservatives were critical, seeing dangers of increased inflation in the proposed rise in public spending.

Vital to the Government's survival through the summer was the reaction of the 13 Liberal MPs, who made it clear that they would not launch a full-scale attack on the Budget or on the Finance Bill implementing the Chancellor's proposals.

Mr. John Pardoe, Liberal economic spokesman, welcomed the positive discrimination in favour of small businesses and the profit-sharing scheme his party had advocated. He insisted, though, after meeting fellow MPs, that the cuts in direct taxation were insufficient.

The Liberals intend to table amendments during the committee stage of the Finance Bill calling for more cuts in income tax. The tactic could embarrass the Government if the amendments receive support from the Tories.

However, the capacity of Ministers to accept defeats must not be under-estimated, if it means that Mr. Callaghan can choose between going to the country in the autumn or conceivably early next year, rather than be forced into a snap election he fears he would lose.

By-elections

The first electoral reactions to the Budget come to-morrow at the Garscadden by-election in Glasgow and next Thursday at Lambeth Central. Labour must hold both with something to spare if it is to have much prospect of retaining power.

Labour MPs thought the Budget would win more votes than it would lose, but some moderates were worried at the psychological effect of not reducing the standard rate of tax.

Left-wingers supported the raising of the tax threshold and the introduction of the lower rate, but argued that much more emphasis should have been placed on increased public spending. There was no sign of any revolt in Labour's ranks, however.

Mrs. Thatcher, the Conservative leader, regarded it as an electioneering Budget, but seemed to contradict this by claiming that the "very modest tax reductions would disappear unnoticed."

Later, at a private meeting of the Conservative back-bench finance committee, Sir Geoffrey Howe, shadow Chancellor, attacked the tax proposals on four grounds. They had left the standard rate too high, thresholds had not been restored to the level of 1973, the top rate of tax remained unchanged, and the top bands had not been widened sufficiently, he said.

More generally he thought that the danger of higher inflation later in the year was endemic in the Budget. The increase in the public sector borrowing rate did not augur well for the future.

Unions fear lack of job stimulus

BY ALAN PIKE, LABOUR CORRESPONDENT

DISAPPOINTMENT among union leaders in their first reactions to the Budget centred around fears that it would not do enough to reduce unemployment.

While many TUC general council members welcomed specific proposals, there was widely-expressed regret that Mr. Healey had not heeded the trade union movement's call for a much more substantial increase in public spending.

Mr. Moss Evans, new leader of Britain's largest union, the Transport and General Workers, was pleased to see the tax cuts, which were helpful and would create some jobs and he was glad the Chancellor had not asked the unions for any quid pro quo. He would, however, have liked to see more public spending.

Union leaders in the public sector took a more forceful view on the need for increased public spending. Mr. Godfrey Drain, general secretary of the National and Local Government Officers Association, was disappointed by the proposed increased level of spending.

Mr. David Basnett, TUC chairman and general secretary of the General and Municipal Workers Union said that the boost to the economy was welcome but "while reduction in the tax burden will be welcomed by workers who have jobs it does very little for those who are still unemployed."

Mr. Frank Chapple, of the Electricians, said the Chancellor could have afforded to go further on taxation and take many of the lower paid out of tax altogether.

The question now is whether the Chancellor's measures will enhance the possibility of some form of union agreement on further pay policy next year. Union leaders like Mr. Evans and Mr. Drain continue to stress that a formal understanding is not in prospect but in a broadly optimistic reaction Mr. Len Murray, TUC general secretary, said that the TUC looked forward to discussions with Ministers on the range of economic issues.

£ in New York

—	April 10	Previous
Spot	$1.8747-8757	$1.8760-8760
1 month	0.04-0.09 prem.	0.05 dis-0.02 pm
3 months	0.14-0.09 dis	0.13-0.14 dis
12 months	1.20-1.10 dis	1.15-1.00 dis

New Carter curb on Federal pay

BY DAVID BELL WASHINGTON, APRIL 11.

PRESIDENT CARTER to-day committed himself to a fresh attempt to reduce the rate of inflation in the U.S. which he said has begun to "imperil our economic recovery and threaten the strength of the dollar."

In a major speech, the third on the subject since he took office, the President once again eschewed statutory wage and price controls, but imposed an immediate freeze on the pay of top Federal officials and said he would limit all Federal pay rises to no more than 5.5 per cent., 2 per cent. less than last year.

The President prefaced his remarks with another strong plea to Congress to pass the Energy Bill which has now been on Capitol Hill for almost exactly a year.

Unless it is passed soon, he said, the Administration will have to "limit oil imports under Administrative action. One way or the other oil imports must be reduced"

Mr. Carter said that the energy situation had now become critical and "holders of dollars throughout the world have interpreted our failure to act as a sign of economic weakness and these views have been directly translated into a decreasing value of our currency."

At the same time Mr. Carter said he would use his power to veto Congressional legislation to ensure that the Federal budget remains within the $60bn. deficit limit that he set earlier this year. He also announced that Mr. Rober Strauss, his special trade representative, is to be given special additional responsibility for combating inflation.

Mr. Carter said that the Continued on Back Page

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Greek-Turkish talks postponed after U.S. arms embargo move

BY OUR OWN CORRESPONDENT ATHENS, April 11.

THREE-DAY Greek-Turkish talks due to open in Ankara next Friday have been postponed, at least until the dust settles over the agitation caused by President Carter's decision to ask Congress to lift the U.S. arms embargo against Turkey.

A Government source said that the present climate was not conducive to the talks, originally agreed to by the Prime Ministers of the two countries during their summit meeting in Montreaux, Switzerland, last month.

The meeting, between Mr. Byron Theodoropoulos, Secretary General of the Greek Foreign Ministry, and his Turkish counterpart, Mr. Sukru Elkdag, was to have centred on the disputes between Greece and Turkey over territorial rights in the Aegean Sea. A new date is to be fixed through diplomatic channels in the near future.

The feeling in Greece is that ending the three-years-old arms ban would toughen Turkey's position over Cyprus and in discussions of Greek-Turkish disputes since such a move would strengthen Turkey in military terms.

Foreign diplomats here, however, have expressed fears that a refusal by Congress to lift the embargo would make matters worse by vexing Ankara. These diplomats speak of a pre-agreed arrangement in which, following the lifting of the U.S. arms embargo, Turkey would make reasonable concessions over the Cyprus issue, opening the way to its solution and facilitating Greece's return to the military wing of NATO.

The newly-appointed U.S. ambassador to Athens Mr. Robert McCloskey to-day called on Mr. Constantine Karamanlis the Prime Minister, to acquaint him with the U.S. Government's views on points made by Greece about the embargo.

In another development to-day Mr. George Mavros, honorary President of the Union of the Democratic Centre (EDHK), has left the party to become an independent member of Parliament. His decision to leave comes in the middle of a power struggle within the party.

Mr. Mavros was appointed leader of the centrist party in 1974 after the collapse of the military junta and the restoration of democratic rule in Greece. He had succeeded Mr. George Papandreou who founded the party in the early sixties and who died in 1968.

The EDHK emerged from the 1974 General Elections as the main opposition party but suffered a severe blow in last November's elections when it saw its seats in the 300-member Parliament shrink from 61 to 15.

After its defeat, Mr. Mavros resigned from the party leadership under pressure from leading members. In March this year Mr. Ioannis Pesmazoglu and Mr. Athanassios Canellopoulos, two prominent economists, also left the party to become independent MPs.

Terrorists shoot guard at Red Brigades prison

BY PAUL BETTS ROME, April 11.

A GUARD from the Turin prison holding the Red Brigade's leaders currently on trial, was assassinated by urban guerillas to-day.

Before dying, 31-year-old Lorenzo Cotugno seriously wounded one of his assailants. Security forces holding the man hope that he will supply important clues on the kidnapping of the former Premier.

While responsibility for to-day's murder has so far not been claimed, Sig Cotugno is effectively the third victim of terrorists since March 16 when Sig. Moro was kidnapped by ultra-left extremists purporting to belong to the Red Brigade's movement.

The two other victims included the former Christian Democrat Mayor of Turin, Sig. Giovanni Picco, and the chairman of the Genoa Industrialists Association, Sig. Felice Schiavetti, who were both shot and wounded.

To-day's shooting comes only 12 hours after the latest communique from the Red Brigades and a further message apparently written by Sig. Moro claiming that he was being "tried" by a "popular court."

While the Italian authorities were maintaining total silence on the latest developments of the kidnapping, there was wide consensus here that Sig. Moro's message, which contained an appeal to the Government to negotiate with the terrorists, was written under extreme duress, if, indeed, he wrote it at all.

The ruling Christian Democrat Party to-day reiterated that it would in no way deal with the terrorists' blackmail, and the Communist Party newspaper, l'Unita, suggested that the Red Brigades were attempting to force the Christian Democrats to surrender to their demands in what is becoming a gruesome psychological war against the State.

The Government and the country's political forces, for their part, are apparently intent on enforcing the economic and social measures of the commonly agreed programme which effectively ended Italy's latest Government crisis last month.

Sig. Giulio Andreotti, the Prime Minister, has called a Cabinet meeting later this week to approve the first batch of measures, including the strengthening of the judicial system and provisions for the industrial recovery of the depressed South.

Meanwhile, the wave of political violence has been highlighted in a Communist Party report showing that in the first quarter of this year there were 1,220 terrorist attacks, including 900 bombings, 17 murders and 227 people injured.

Detente pledge in Bonn discussions

BONN, April 11.

WEST GERMANY and Czechoslovakia pledged to-day to pursue the policy of detente and announced that their Foreign Ministers would hold talks either in Bonn or Prague at least once a year.

A joint communique issued on the second day of an official visit by Mr. Gustav Husak, the Czechoslovak President, also stressed the need for continued disarmament moves. It said that both countries supported efforts to develop contacts between their peoples and urged more co-operation in the technical and cultural fields.

President Husak and West German Chancellor Helmut Schmidt said in the 15-page document that the questions of detente, disarmament, security and co-operation in Europe had been the central topic in their discussions.

"Both sides stressed the worldwide importance of detente for the development of international relations, they are convinced that no sensible alternative exists to the policy of detente," the communique said.

Dr. Husak, who has been under attack from the West German media and parliamentarians over human rights, said at a news conference here that his country had very few political prisoners.

Dr. Husak, on his first visit to a NATO country, said that these political prisoners had been jailed for violating specific laws and not for their views. "In the crisis period of 1968 and afterwards we triumphed by political means and not by forceful repression," he said.

Reuter.

W. GERMAN LOCK-OUTS

Lambsdorff bid to calm union fears

BY ADRIAN DICKS BONN, April 11.

THE WEST GERMAN Economics Minister, Count Otto Lambsdorff, has moved to mend relations with the trade union movement which have been strained since his defence on two recent occasions of the employers' right to lock-out workers during the recent printers' and metalworkers' industrial disputes.

Last night, the Minister had private talks with Herr Heinz-Oskar Vetter, the president of the Deutsche Gewerkschaftsbund (DGB), the counterpart to the British TUC. No details of their conversation have been revealed, but the two men have agreed to meet again i na few weeks.

The lock-out issue has not only inflamed feelings among trade unionists, but threatens to become one more irritant in relations between the Free Democrats, of whom Count Lambsdorff is a member, and the senior coalition party, the Social Democrats, many of whom are close to the unions.

Count Lambsdorff has insisted that he was speaking for the Cabinet as a whole, and not only for the FDP, when he said over the week-end that the Government sees no occasion to alter existing labour legislation, under which employers have the right to lock workers out as a counter-measure to the strike. The Minister was careful to stress that he did not mean to argue in favour of the lock-out, and conceded that there could be two views about its desirability as a weapon.

The mass use of the lock-out by both printing and engineering employers this year, involving some 146,000 workers in the North Wuerttemberg-North Baden metal-working industry earlier this month, has taken West German trade unionists aback. In its official May Day declaration, published to-day, the DGB called for "an end to the disruption of jobs" and complained that with mass unemployment, "which could be the scourge of democracy, anti-reform and reactionary forces have seen their hour come."

At the same time as Count Lambsdorff tries to mend his fences with the DGB, the new chairman of the West German Employers' Federation, Herr Otto Esser, has said that he would like to hold talks with Herr Vetter, with the aim of relaunching the suspended concerted action conference. Herr Vetter, under pressure from several of his member unions, withdrew from these traditional round-table talks with the Government, Bundesbank, Employers and other bodies, in the summer of last year.

The unions' ostensible reason for walking out was the lawsuit launched by Herr Esser's predecessor, the murdered Dr. Hanns-Martin Schleyer, against the new workers' co-determination (mitbestimmung) act. In addition, the unions are known to have grown weary of a forum in which they felt permanently on the defensive against the appeals of other participants for wage restraint.

In to-day's wage talks in Stuttgart on a new pay deal for the 2.2m. white- and blue-collar workers in the public service, the union side expressed strong disappointment at the improved offer from the employers' side, made up of federal, state and local government officials. The offer of 4 per cent. plus an extra day's holiday compared with the previous offer of 3.7 per cent., and with union demands of 7.5 per cent.

Six urban guerillas went on trial yesterday at a heavily guarded West Berlin court for the kidnapping in February 1975 of Herr Peter Lorenz, the Christian Democrat leader in West Berlin, and the murder four months earlier of the city's chief justice, Reuter reports.

Communist assault renewed on W. Berlin

BERLIN, April 11.

EAST GERMANY to-day launched its most sweeping broadside for several months against West Berlin's links with West Germany and the European Community, warning that improvements in the city's position were in danger.

An authoritative commentary in the Neues Deutchland Communist Party daily newspaper attacked meetings in the city of West German political parties, recent visits to the city by senior state officials from Bonn, and a planned trip there by the EEC Commission president, Mr. Roy Jenkins.

There was no indication why the commentary had appeared at this time, but diplomatic observers suggested it could be intended to lay down a hard-line position on West Berlin before Mr. Leonid Brezhnev, the Soviet President, discusses the issue in Bonn next month.

Disagreement on whether the city should be included in bilateral agreements has held up the signing of a series of accords between Bonn and both Moscow and East Berlin.

Entitled "disruptive manoeuvres against the four-power agreement on West Berlin," the commentary said that none of the activities it mentioned could alter the fact that the city was neither a part of West Germany nor could it be ruled from Bonn.

These activities "are aimed at creating constant new tension which in the final analysis can only harm West Berlin in particular, its population and economy," Neues Deutschland declared.

Reuter

Cyprus plot suspects held

BY OUR OWN CORRESPONDENT NICOSIA, April 11.

A TOTAL of 22 people—including soldiers and policemen—are now in custody in connection with the discovery of a conspiracy to overthrow President Spyros Kyprianou's Government. Officials say the plot was apparently financed and encouraged from abroad.

The suspects are held on charges of belonging to an underground organisation and of engaging in subversive activities. According to the police, the conspirators planned sabotage attacks on Government buildings and foreign embassies and assassinations of political figures.

The leader of the group is said to be Mr. Bassos Pavlides, who is believed to have masterminded the kidnapping of President Kyprianou's officer son Achilleas last December, and who had since been free. The first four suspects were held 11 days ago near the British base of Dhekelia. Most of the others, including the Pavlides and his fiancee, were rounded up at Limassol over the week-end, while two soldiers were detained yesterday. To-day, police announced the arrest of an army officer, Captain Haralambos Papacleovoulou, and of a policeman. They have all been remanded in custody.

President Kyprianou has charged that "third parties" have been inciting Greek Cypriots to resort to anti-Government activities.

U.S. measures to stabilise dollar urged

BY GUY HAWTIN FRANKFURT, April 11.

NO EUROPEAN solution can be provided for the decline of the dollar, according to Dr. Wilfried Guth, joint chief executive of the Deutsche Bank, West Germany's largest commercial bank. The fate of the dollar would be decided in Washington, he said, and a precondition for stabilising the currency would be the adoption of a convincing energy policy, as well as other measures important to the restoration of market confidence.

The Bonn economic summit, planned for the summer, should bear in mind the failure of the March 13 attempt to stabilise the dollar with the announcement of the U.S. Administration's willingness to adopt an intervention policy and the U.S.-German agreement. The attempt had fallen flat because, rightly or wrongly, more had been expected.

Dr. Guth, who is one of West Germany's top international bankers, said that a weak dollar was still the prime international economic problem. It brought in its train many other difficulties, not least of which was the danger of increased protectionism.

The summer summit, he said, should serve to bind American policy within the framework of collective international efforts to stabilise the world currency system. Concerted efforts should be made to rebuild the market's confidence in the dollar, and with this in mind the strengthened long-term financing of the U.S. payments deficit should be considered. This could take the form of a large loan placed in the international capital markets.

Dr. Guth said that the summit should countenance no attempt to introduce protectionist measures or to control capital movements. Counter-inflation policies should not be sacrificed to achieve growth. However, all partners at the meeting should appreciate their duty to dismantle checks on growth and, in particular, to stimulate it through encouraging private investment.

He appealed for closer currency policy co-operation within Europe. The French Government's election victory and the pound's return to health meant that prospects for progress towards European monetary union had greatly improved.

Empain hands over group presidency

Belgian industrialist Baron Edouard-Jean Empain, freed by his kidnappers at Easter after a two-month abduction, has handed over the presidency of his business empire to a close colleague. The Empain-Schneider group announced in a statement that M. Rene Engen, 59, head of Schneider since 1972, has taken over the presidency for an indefinite period while the Baron recovers from his 63-day kidnap ordeal, Reuter reports from Paris. Baron Empain was kidnapped by masked gunmen on January 23, and held for two months, hooded and manacled. The tip of his little finger was sliced off to send to his family as identification. He was released on March 26 and last week-end flew to London for medical attention, after spending a brief spell in hospital here

Austrian banking

The Austrian Cabinet has approved a Bill to reform some legislation governing banks. It will remove control (already handled liberally) upon the foundation of new branches of banks and other credit institutions. Official fixing of interest rates payable to depositors would cease, but fixing by agreement between credit institutions would be permitted

French GDP rise

French Gross Domestic Product rose 2.2 per cent. in 1977 on an annual average basis, the National Statistics Institute said. The rise in the fourth quarter was 2.4 per cent. (5.2 per cent. in the same period of 1976). The growth figure has been steadily revised downwards from the 3 per cent. given in the provisional national accounts last September, Reuter reports from Paris.

Defector's wife threat

The wife of Soviet defector Valentin Agapov has said she would be prepared to fight to the death for permission to take her family to join her husband in Sweden. As Mrs. Lyudmila Agapova (39), spoke to foreign reporters about her campaign to emigrate, Soviet doctors were working to save the life of her mother-in-law who has attempted suicide in a Government office.

Mrs. Antonina Agapova (68) reported by her doctors to be in a critical condition, swallowed acid in the city's passport administration office when officials rejected the family's latest exit visa application.

Kidnappers captured

Italian police have scored a rare success in their war against kidnappers, catching two suspects as they picked up a ransom of L270m. ($317,000) for a 16-year-old girl. The police arrested the two men after a gun battle in a Rome suburb, Reuter reports from Rome.

FINANCIAL TIMES, published daily except Sundays and holidays. U.S. subscription $200.00 (air freight) $365.00 (air mail) per annum. Second class postage paid at New York, N.Y.

Norwegians warned on deficit

BY FAY GJESTER OSLO, April 11.

CLOSING NORWAY'S widening payments gap is going to be a far tougher task than the Labour Government believed until recently, according to the Finance Minister, Mr. Per Kleppe. In a speech to the Labour Party's National Executive yesterday, Mr. Kleppe said there were limits to how much the country could borrow abroad.

He disclosed that the payments deficit for the mainland economy alone (excluding borrowings to finance shipping and offshore investments) was outstripping Norway's earnings from offshore oil and gas. In 1977 the mainland deficit was Kr.9bn. and this year it was expected to reach Kr.13bn.—7 per cent. of GNP.

Estimates of State revenues from oil and gas over the next four years had been cut back, from Kr.70bn. to Kr.50bn. Mr. Kleppe blamed earlier, unrealistic estimates on over-optimistic production forecasts by the private oil companies. From now on his Ministry would rely on more sober forecasts prepared by the State Oil Directorate.

Appealing for an early and moderate settlement in the current wages and incomes negotiations, Mr. Kleppe said it was essential to curb domestic consumption and reduce imports. He warned companies that they must keep dividend payments to shareholders "within reasonable bounds," otherwise dividend regulation would have to be considered. Some Government spending on roads and hospitals would have to be postponed, and state support to crisis-hit industries would have to be sharply cut.

The Bank of Norway has urged the Finance Ministry to put a drastic squeeze on lending by the private banks, by introducing stiff additional reserve requirements and enforcing strict liquidity rules. The Commercial Banks Association has conceded that the measures are probably necessary because lending has boomed over the past five months far exceeding the limits fixed in the Government's credit guidelines. They point out, however that the moves will only limit lending by the private banks while the authorities continue to pump money into the economy through lending by the State banks and public spending generally.

"Credit policy is falling apart," the association's director, Sverre Walter Rostoft, said in a radio interview to-day. Overall credit policy was now more expansive than it ever had been.

Producers heartened by EEC's coal subsidy

BY JOHN LLOYD

THE EUROPEAN Commission's plan to subsidise European-produced power-station coal has met with the unanimous approval of coal producers from West Germany, Belgium, France and Britain, meeting in Brussels.

The four members of the Coal Producers' Association of the European Community (CEPCEO) expressed appreciation of the Commission's efforts to ensure the maintenance of coal production capacity.

The EEC's plan, which is due to be considered by the Council of Ministers soon, is to pay a $12 subsidy on each ton of power station coal produced, to make it competitive with coal from South Africa, Australia and America. At present, only 3m. to 4m. tons are traded across European frontiers. And about 23m. tons are imported each year.

The producers' association said that as a result of the commission's representations, it hoped the council would at last decide to put into practice the energy and coal policies defined in 1974.

● Mr. Victor Garland, the Australian minister responsible for trade negotiations with the European Community, is expected in London to-night on the first stage of an EEC tour, writes Christopher Parkes.

After talks with Commonwealth negotiators on the UN fund for financing world buffer stocks of key commodities, he will start talking in earnest with Common Market leaders about Australia's demands for a better trade deal from the EEC. He will visit all the Community capitals and will end his tour in London early in May.

The talks will cover a list of 25 complaints or representations presented to the Nine's governments last October by Mr. Garland's predecessor.

The Australian Government is concerned about the loss of its markets in Europe, and in Britain in particular, for grain, dairy products and meat. It is also worried that recent Community action to support the European steam coal and steel industry could also affect its trade.

Metal workers begin new wage negotiations

A new round of collective bargaining for more than 1.5m. workers in four districts of the West German metal-processing industry began yesterday, AP-DJ reports from Frankfurt. Wage talks between the Metal Union and the Employers' Federation will be resumed in Krefeld for the 1m. workers of North Rhine-Westphalia and in Frankfurt for another 520,000 workers based in Hesse, Rhineland-Palatinate and the Saarland. An agreement over a 5 per cent. wage increase appears to be imminent, but there are still differences about a lump sum payment for the first quarter, and income guarantees demanded by the Metal Union.

Collective bargaining was also under way on Tuesday for the 2.2m. workers employed in the public services

French businessmen optimistic after election result

BY DAVID CURRY

PARIS, April 11.

THE GOVERNMENT'S general election victory has brought a striking note of optimism to French business opinion. The latest outlook produced by the employers' organisation, the Patronat, speaks of an encouraging trend in household consumption and evidence of a surge in investment.

At the same time, it warns that investment could be limited by the poor financial condition of companies with heavier social charges and poor levels of profitability.

The new Government's policy towards industry is eagerly awaited. M. Raymond Barre, the Prime Minister, has indicated that a gradual return to freedom of prices, an effort to restore corporate finances (including perhaps fiscal concessions for subscribers to new company capital), and a reduction in prime rate to encourage investment, are intended.

The Prime Minister to-morrow begins a round of discussions with trade union leaders. He has tried to meet some of their demands by pledging that the lowest incomes will receive special consideration in the context of continued wage controls.

The employers are also ready to move some way towards the unions, who are generally shell-shocked by their election defeat. They have put out feelers indicating that they could live with a minimum wage raised to Frs.2,000 a month (from about 1,750) and that they are ready to convert into permanent employment the thousands of temporary jobs created over the last nine months to absorb youth unemployment.

Growth rate

President Giscard d'Estaing himself has met one of the Patronat's demands in promising that France will aim at a growth rate superior to the average of her industrial competitors—something employers regard as essential to absorb the young people coming on to the labour market. It is also thought there may be a compromise over the demand by some unions for five weeks' holiday a year instead of four, particularly as the moderate leader, M. Andre Bergeron, who has kept his links open to the Government, has staked his personal prestige on the demand.

Giscard under pressure to fulfil poll promises

BY ROBERT MAUTHNER

PARIS, April 11.

PRESIDENT Giscard d'Estaing is likely to come under early pressure to carry out his promise to create a more egalitarian society following the publication of a report showing that the wealth gap between the rich and poor in France has increased sharply over the last 25 years.

The report drawn up by the National Institute of Statistics makes it clear that the wealth gap is even greater than between the highest and lowest incomes which, according to previous studies, is one of the largest in the western industrialised world.

Between 1949 and 1975, the average wealth of French households was multiplied by 13 in constant francs, an increase of more than 10 per cent. per year. But it was the wealthiest section of society which benefited most from this growth.

The fortunes of the 1 per cent. of wealthiest households grew by 11.8 per cent. annually during this period while those of the 10 per cent. of poorest households grew by only 7.5 per cent.

Broken down by social categories, the wealth increase was highest for industrialists, big traders and members of the liberal professions—nearly 12 per cent. per year—while that of workers and simple employees rose by only 6 per cent.

The report points out that the high rate of inflation over the past has merely accentuated the discrepancies. Property owners and people with capital to invest have benefited from large capital gains, whereas salary increases have not compensated for the still higher rises in rent and interest rates for small savings have failed to keep pace with inflation.

Ambitious targets for grain harvests in Soviet Union

David Satter reports from Moscow on his recent visit to the Mironovka Institute in the heart of the wheat-growing region of the Ukraine.

SOVIET plant breeders, charged with aiding Soviet agriculture by developing high productive strains of wheat and other grains, again appear to be placing reliance on the discredited theories of the late Soviet agronomist Trofim Lysenko.

When I recently visited the Mironovka institute for seed selection and wheat breeding, 60 miles south of Kiev, in the heart of the Ukranian wheat growing area, researchers told me they are attempting to "change the nature" of plants by converting spring wheat into winter wheat. They explained this in terms of Lysenkoite principles.

Mr. Lysenko held that environmental influence was the most important factor in determining heredity and he won Stalin's favour because his views were compatible with Socialist notions of the perfectability of man. These ideas ruined Soviet genetics for more than a generation. Lysenko's idea that natural mutation has a direction from the start and corresponds to changes in the environment now underlies research at the Mironovka institute with disturbing implications for Soviet agricultural research and future wheat production.

The 1976-80 Five-Year Plan calls for grain production to reach 235m. tonnes in 1980, an unlikely increase of 41m. tonnes over last year's disappointing grain harvest, which suffered from major shortfalls in the spring wheat areas of Kazakhstan and Siberia.

Realising this ambitious target will depend on favourable climatic conditions like those which obtained between 1960 and 1974, when a stream of moisture-laden North Atlantic air helped Soviet grain production to increase by an average of 6.8m. tonnes a year, and improvements in the "technology" of grain growing, including mechanisation, fertilisation, and the development of high-yield seed varieties like those bred at Mironovka.

The Mironovka institute has developed three types of winter wheat seed which are in wide use in the Ukraine to-day.

In their most important achievement, researchers at the Institute, which is headed by Vassily N. Remeslo, a disciple of Mr. Lysenko's, claim that they have been able to alter the chromosomal structure of spring wheat by exposing it to extreme cold and converting it into high-yield winter wheat. Although they admit the use of hybridisation in their work, Mr. Vitali Shebitchenko, Director of the Institute's Genetics laboratory, said that Mironovka researches rely primarily on "variation through influence"—a concept Western agronomists reject.

The work at Mironovka is important for the Soviet Union. The Institute is a major research centre with a staff of 340 and 14 laboratories. It takes up 5,000 acres. It is given credit by Mr. Leonid Brezhnev, the Soviet President, with providing 1.6bn. roubles (£1.2bn.) of extra revenue to the State, and owing in part to the Institute's work winter wheat yields in the Ukraine, the Soviet Union's most important winter wheat area, have increased steadily from 16.9 centners (about 17 cwt) per hectare in the late 1950s to 35 centners per hectare to-day. Increases in yield to 38 to 40 centners per hectare are expected in the near future.

The Soviet Union is now engaged in a broad attempt to expand the area planted with winter wheat, which means, in the first instance, breeding varieties of high-yield winter wheat with greater resistance to cold so they can be planted in the colder spring wheat areas of Kazakhstan and Siberia.

The advantages for the Soviets of expanding winter wheat cultivation are considerable. In 1976, the average yield per hectare of winter wheat was 25.9 centners, more than double the average yield per hectare of spring wheat at 12.4 centners. Since the total area which can be planted with wheat cannot be increased in the Soviet Union, tipping the balance toward winter wheat, which took up 17.3m. hectares or 29 per cent. of total area sown with wheat in 1976, is a potentially important way of increasing the Soviet grain harvest.

The long-term prospects of improving the important cultivation of winter wheat, however, appear dubious if the research effort as a whole is understood in the light of the scientifically discredited theories used to explain the work at Mironovka.

Mr. Shebitchenko said that extreme cold produces changes in the morphology, cell structure and chromosomes of plant varieties. He said that through methods developed at Mironovka, which, he acknowledged, included some use of hybridisation at various stages in the development of high-yield seed, it is now possible to change the character of plants in as little as one year. The Institute's methods have not been offered for international scientific scrutiny but will be shown to foreign geneticists soon, he said.

The question of Soviet research methods in genetics remain troubling ones—both scientifically and politically. Dr. Zhores Medvedev argued in his book, "The Rise and Fall of T. D. Lysenko" that changing spring wheat into winter wheat does not involve alteration of chromosomal structure through environmental influence but only classical hybridisation and selection in a changed environment. Any crediting of the result to "behaviour" is merely a simple attempt to give the work a Lysenkoite appearance.

Dr. Medvedev, a former Soviet biologist now living in London, said that Lysenkoism continues to be a potent force in Soviet plant science because Lysenko's followers made many careers and when those theories were discredited, they were not removed from their posts and put to death as many adherents of classical genetics had been in the 1930s.

Mr. Shebitchenko, in response to questions about the influence of Mr. Lysenko's theories on the Mironovka institute's work, said "the theory does not matter if we have a full table."

The Soviet Union now spends over three times more on plant research than the U.S. But the continuing survival of Lysenko's ideas and theories inevitably raises questions as to whether it is all being spent to maximum effect.

Call for EEC parliamentary power

FINANCIAL TIMES REPORTER

MORE POWER for Parliament to intervene in proposed EEC legislation before decisions have been taken in Brussels was urged yesterday by Mr. Brian Gould, Labour MP for Southampton and a member of the House of Commons European Scrutiny Committee.

Speaking on the second day of the Financial Times conference in London on business and the EEC directives chaired by Lord Mais of Walbrook he said that existing scrutiny procedures on Common Market legislation were defective, although working well in a limited brief.

He attacked the Government for misunderstanding the nature of European legislation. Parliaments have not developed effective procedures for approving or disapproving proposed EEC laws.

"If the House of Commons acting upon a report from the Scrutiny Committee were able to debate proposals on a substantive motion which allowed them to say yes or no to a particular proposal, ministers would then be in no doubt as to how far they could go and what they should or not agree to when they went to Brussels," he said.

Limited changes only to the Commons procedures were necessary to effect this solution. There would be no conflict with the Treaty of Rome.

The Commons Scrutiny Committee, set up on May 1974 with 16 members from both sides of the House, was powerless to intervene after it had picked out those Brussels proposals which needed debate. "It is at this stage that procedures for dealing with European legislation are defective," said Mr. Gould.

The Committee has the power to hold up legislation by recommending an EEC instrument for debate but this was a less reliable safeguard than it seemed.

But the Committee which met weekly was dealing promptly and efficiently with its limited task. It had recently begun to make greater use of its ability to take evidence from ministers, civil servants and outside bodies. This was a welcome development and should be extended.

Mr. Gould criticised the Government for putting European legislation on the same footing as less important domestic business. "The truth is that European legislation is a form of superior legislation which takes priority over Acts of Parliament. The House of Commons has not yet developed procedures which take account of this."

Dismissing the European Assembly as an essentially deliberative body, he said that Parliament was better placed in many ways to deal with EEC legislation than with domestic bills.

Other U.K. scrutiny mechanisms included the House of Lords committee set up in April, 1974, which had a larger membership and wider terms of reference.

The Commons Scrutiny Committee had all the powers of select committees to send for persons, papers and records. It also had, exceptionally, the power to hold meetings concurrently with counterparts in the House of Lords. Much of the committee's work was done in private session.

The committee usually started work on an EEC instrument as soon as it was published by the Commission. It dealt with an average of 55 Community proposals each month, after clearing the initial backlog.

The Government department within whose responsibility the instrument fell, provided a memorandum explaining the legal and policy implications of a proposal, and this was supplemented by an advisory brief prepared by one of the committee's full-time staff of a clerk, a legal adviser and four specialist advisers.

After each meeting, the committee's decisions were collated and presented to the House with explanatory paragraphs in a report.

The committee reserved the right to take a second or third look at any instrument before adoption by the Council.

An example of this "second stage" scrutiny could be found in the treatment of the Fourth Directive. The committee had first considered a version in March, 1974. It had relied largely on minutes of evidence taken and written statements supplied to the Lords committee and had recommended in July, 1975, that the instrument should be debated by the House.

The debate had taken place in June, 1976, the instrument had been brought back to the committee in April, 1977, accompanied by a new memo of explanation supplied by the Department of Trade. The committee had again reported to the House, but this time had not recommended a further debate.

Company accounts should be presented in a different way to group statements was recommended by M. Bertrand d'Illiers, chief accountant to the Paris Commission des Operations de Bourse.

European accounting standards should aim to be good and effective rather than the best in abstract, he added after analysing salient features of the EEC fourth directive on company accounts. In the EEC company accounts should be subject to legalistic regulations but group accounts should be freed from such constraints and liable to international standards.

The fourth directive had few definitions of concepts and lacked a precise dictionary.

"The experience of the French standardisation process 1947-1977 shows that that kind of defect is not a mortal sin."

The United Nations' report on international accounting standards was too bold and tried to go too far too fast. Mr. Michael Renshall a partner in the London accountancy firm Peat, Marwick and Mitchell said.

"The consequences may prove counter productive and create resistance to desirable change," he added.

The accounting model proposed particularly on non-financial information was far ahead of any reporting requirements in the world.

The different treatments of group and parent accounts was the major difference between the U.K. and continental accounting procedures, Mr. Ken Gardner, the Dunlop finance director said.

Accountants should press for group accounts throughout the EEC, he added. Discussing Dunlop's experiences since it merged with Pirelli, the Italian tyre manufacturer, in the early seventies Mr. Gardner said he had learned a great deal from Italian accounting techniques. Major accounting problems at the time of the merger concerned the treatment of depreciation, tax and stock valuation.

The international Accounting Standards Committee should work towards producing a current cost accounting standard by 1981 Mr. Douglas Morpeth, chairman of the inflation accounting steering group said. The Brussels Commission could not produce a similar inflation accounting standard within the necessary time span.

Israel begins withdrawal of troops from south Lebanon

BY DAVID LENNON

TEL AVIV, April 11.

ISRAEL TO-DAY began a partial pull-back of some of its forces which invaded south Lebanon a *month ago. The evacuated positions were taken over by UN peace keeping troops.*

The limited withdrawals are a response to Western pressure and an attempt to forestall another UN Security Council meeting being called to protest against Israel's failure to withdraw as ordered by the Council last month.

The pull-back is also aimed at easing the way for a return visit to Cairo by Mr. Ezer Weizman, the Defence Minister. However, Mr. Mordechai Zippori, the Deputy Defence Minister said last night that contrary to earlier reports Mr. Weizman is not due to go to Egypt in the coming days.

Israeli troops to-day withdrew 2 to 7 kms. from the ceasefire lines in the eastern sector of *south Lebanon. On Friday* Israeli troops will pull back 5 to 6 kms. along an 11 km. stretch of the Litani River in the central sector.

After these two stages are completed, Israel will still be in control of the bulk of the area occupied a month ago in the biggest military operation in *the region since the 1973 war.*

The Israeli invasion was aimed at destroying Palestinian bases and pushing the Palestinian forces away from the northern border.

Further withdrawals are dependent upon the UN Interim Force in Lebanon (UNIFIL) reaching its planned strength of 4,000 men. Currently it is less than half that number. Israel is insisting that the UN troops be present in sufficient strength to be able to prevent Palestinian units from re-entering the evacuated area.

The UN Command has undertaken to block any attempts to enter the area by Palestinian forces, but the Christian villagers in South Lebanon have protested against the Israeli withdrawal. The villagers claim that the UN does not have the strength or the will to stop a guerilla force.

Ihsan Hitazi adds from Beirut: Encouraged by the Israeli pull-back the Lebanese Government to-day launched the first stage of a plan for repatriating some *200,000 Lebanese refugees who* had fled from the south during the Israeli attack.

The first convoy of 20 families left here this morning for Tyre *and outlying villages. Other con*voys were to follow.

But these hopeful signs have been clouded by complications in the overall Lebanese situation. Tension reigned for the third day running between two suburbs at the southeast end of the Lebanese capital. The dividing line between the predominantly Christian *quarter of Ein El Rummaneh and* the predominantly Moslem quarter of Chpyah was to-day heavily guared by the mainly Syrian Arab Peace-Keeping *Force after three days of clashes* between rival factions which left seven dead and 27 wounded.

Students in Peking

Sweeping reforms in China's higher education

BY K K SHARMA IN PEKING

CHINESE STUDENTS will this month literally face a testing time. For the first time since a student named Chang Tieh Sheng was made a hero for turning in a blank answer sheet in school examinations during the Cultural Revolution, stiff entrance examinations are again to be introduced. No longer will Peking University, China's highest seat of learning, admit students whose sole qualifications amount to a stint in a factory or commune and the recommendation of the Communist Party.

Later this month the first entrance examinations will be held for aspiring undergraduates for the next term of four-year courses beginning in July. They will be students who have just completed secondary education and few are expected by the university authorities to have ever worked in factories or communes.

The change was decided in last month's Fifth People's Congress which initiated reforms by the successor to the late Chairman Mao Tse-tung, Chairman Hua. Peking University's dons are relieved by the change and claim they went through agony in the past few years when directives from the now ousted "Gang of Four" threw out established traditions. As part of the new arrangements, two more changes are to be made. Peking University will have post-graduate courses again for the first time since they were abolished as being unnecessary during the Cultural Revolution. Preparations for teaching of post-graduate students began last year, but actual enrolment will begin in the summer for courses in Natural Sciences, Biology, Mathematics and *Philosophy.*

The handful of post-graduates and the subjects they can study will gradually increase. The problems are enormous since many textbooks were destroyed during the Cultural Revolution and have either to be traced from places where the dons hid them or to be prepared afresh. Eventually, the University authorities hope that of the *10,000 students who will be on* the rolls within three years, at least one-third will be post-*graduates.*

The second major change is that Peking University, which sprawls over a campus of 40 hectares in the western part of the Chinese capital, will admit non-resident students for the first time. The first 200 will join from the term beginning next summer, thus fulfilling the Fifth Congress's directive that enrolment of university students must be expanded quickly. Universities are being asked to train scientists of all kinds and the emphasis in Peking is to be on *practical subjects.*

Yet ideology is far from forgotten. The university authorities say the principles behind the new reforms are: first, to train *more students speedily; second,* to make enrolments strictly on the basis of a uniform qualifying examination; and, third, to enrol students on merit and not *merely because they have spent* at least two years in factories as has been the basis for entry for many years. The university authorities have gone so far in *their search for talented* scholars that students who show special merit in schools will be admitted before they complete secondary school education. At least 10 per cent. of the new students will be in the age group of 10 to 16 in what is roughly translated as a special class for young prodigies.

But all must be "good politically and have Socialist consciousness" say the authorities even though teaching of science and technology is to be restored.

PEKING, April 11.

CHINA'S CENTRAL Military Commission has recommended "*a widespread straightening* out of army organisation and discipline," Reuter reports *from Peking.*

Military observers here said *to-day this suggested that* a laxness of discipline might have entered army routine during the period of extremist domination.

***The stress on tighter organi*sation and discipline appeared in an article in the People's Daily, organ of the Communist Party, and was also carried by the *New China News Agency* (NCNA). The Military Commission is an executive body of the Party Central Committee.**

'MiGs bomb Eritrea' claim

ERITREAN rebels said that MiG jets were dropping napalm and cluster bombs on villages near Asmara and Massawa apparently in preparation for an Ethiopian *offensive in the country's* northernmost province, Reuter reports from Rome.

"Their strategy first of all is to retake the road between the capital, Asmara, and the port of Massawa," Mr. Gabray Tseghai of the Eritrean People's Liberation Front (EPLF) said. "This is their most important supply line."

EPLF insurgents gained control of the road between the two cities, which they had besieged in battles last year.

Aborigine plan compromise

By Kenneth Randall

CANBERRA, April 11.

THE AUSTRALIAN Federal Government has dropped plans to remove two aboriginal communities in North Queensland from the jurisdiction of the Queensland State Government.

A compromise in the long-running dispute between the two Governments was announced shortly after midnight

The main plank of the agreement transforms the former *aboriginal reserve land* at Aurukun and Mornington Island into local government areas with a local council like any other such area in the State.

In effect, this means that the two communities have been moved from the control of Queensland's aboriginal laws to the jurisdiction of the Local Government Act, which leave final authority on many issues, including mineral rights, with the State Government.

Japan rail workers turn down pay offers

BY DOUGLAS RAMSEY

TOKYO, April 11.

JAPAN'S PRIVATE railway workers' unions have rejected a 4.9 per cent. pay rise offer and may now proceed with strikes planned for late April to win a *settlement more in line with the* 15 per cent. they are asking.

Meanwhile the Federation of Iron and Steel Workers Unions (Tekkororen) will respond on Wednesday to the joint 4.7 per cent. pay offer from Japan's top five steelmakers. Observers believe that although Tekkororen will turn down the offer, management and labour look set to compromise on a 5 per cent. wage increase this year. The figure has been mentioned as an "absolute minimum" demand in union handouts, although Tekkororen, nevertheless, is ask*ing for a 12 per cent. average* rise.

Japan's 210,000-member Union of Private Railway Workers (Shitetsusoren) has rejected an average 4.5 per cent. pay rise from the rail companies. Members of Shitetsusoren will vote by mail in coming days on a 24-hour walk-out proposed for April 23 and a 72-hour strike starting on April 25. Unless a settlement is reached by then, the moves could disrupt transport in Tokyo and Osaka where private railway lines carry millions of passengers each day.

Railway workers thus emerge as the most radical proponents of large pay rises at a time when the traditionally *hard-hitting* unions (for example iron and steelworkers) are putting up little resistance to wage increases on roughly the same scale as offered to the railway workers.

Management at Japan's nine major private railways put their concerted pay plan to Shitetsusoren on Monday, calling *for an across-the-board rise of* Y6,700. Because of existing pay differentials between union and non-union workers the increment represents a 4.9 per cent. rise in union pay but only a 4.1 per cent. overall rise.

Common Fund meeting

BY DAVID HOUSEGO

ABOUT 20 ministers from Commonwealth countries gather in London on Thursday for a two-day meeting to advance negotiations on the setting up of the proposed Common Fund to stabilise commodity prices.

The meeting is potentially an important one in that it falls between the collapse of the round of talks between developing and industrialised nations in Geneva last November and attempts to revive the discussions that are now under way.

Mr. Shridath Ramphal, the Commonwealth Secretary-General said at a Press conference yesterday that the meeting came at a time when there was "great anxiety" over the kind of log jam that seemed to have developed in the North-South dialogue.

Apart from assessing the present progress of negotiations over the Common Fund Commonwealth Ministers, representing a *broad range of producer* and consumer countries, will be preoccupied with two main issues. The first is to explore means of financing the buffer stock facility through a combination of deposits made by commodity organisations and direct subscriptions from Government.

The second is to press for the inclusion in the fund of a second window to finance other measures of interest to poorer developing nations.

SUDAN'S JONGLEI CANAL

A giant task in intense heat

BY NICK WORRALL, RECENTLY IN SUDAN

WORK ON the Jonglei Canal in southern Sudan, the first phase in an attempt to control the mighty Nile along its full length, is falling far behind schedule. Soon it could be *halted for months by the very* waters the canal is designed to hold back for good.

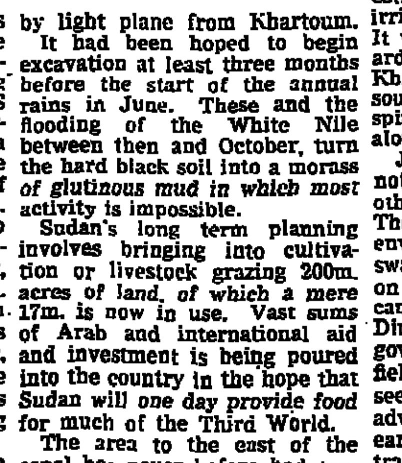
Digging the 200 mile canal with a giant bucket wheel was *supposed to have begun in* March but mechanical problems, transport difficulties, and the sheer physical effect of the intense heat on men and equip*ment,* have put the $200m. project far behind schedule. The 35 feet diameter wheel was previously used on a similar canal project in Pakistan. Last year it was sent in pieces by sea, land and river barge to Malakal, 450 miles south of Khartoum where the canal is to flow into the White Nile at its junction with the river Sobat, having begun its course at Bor. But moving parts, particularly for the huge diesel engines, had not been properly prepared for the journey. They arrived rusted or broken, and required replacement.

The bucket wheel digs beneath this surface and, once established on course, can proceed with the task of removing 1m. cubic yards of earth in 18 months, moving the canal forward at the rate of a kilometre a day. But a start must be made *before the end of April if* further delays are to be avoided.

One possible solution is to divert the supply ship to Mombasa, Kenya's Indian Ocean port, a week's sailing to the south. But the only road into Sudan that is passable for heavy lorries runs through Uganda. Recently, loads destined for Sudan have been hijacked by Idi Amin's troops, their main targets being petrol or food loads.

The inaccessibility of the site added to the difficulties. A traffic *jam of shipping at Port Sudan on* the Red Sea—Sudan's only seaport—causes delay in bringing in the heavy parts. When eventually they do arrive at the dock, they *have to be* taken by lorry over 700 miles of desert and corrugated earth roads before being brought the remaining 300 miles to Malakal. It can take six *months for supplies from Europe* to arrive at the Jonglei site if they are too heavy to be brought by air.

These delays will not improve morale at the site where, in blazing heat, remote from everyday comforts, an international team of French, British, German and Pakinstani engineers have been working to assemble the *machinery. Their water is puri*fied locally, though diseases—dysentery, hepatitis and malaria—take their toll. All food and other everyday needs are flown in by light plane from Khartoum.



It had been hoped to begin excavation at least three months before the start of the annual rains in June. These and the flooding of the White Nile between then and October, turn the hard black soil into a morass *of glutinous mud in which most* activity is impossible.

Sudan's long term planning involves bringing into cultivation or livestock grazing 200m. acres *of land, of which a mere* 17m. is now in use. Vast sums of Arab and international aid and investment is being poured into the country in the hope that Sudan will *one day provide food* for much of the Third World.

The area to the east of the canal has never before had consistent water supplies, though *its soil is rich in potential.* To the west the great Sudd swamps are usually too flooded to be of agricultural use, and moreover each year 15bn. cubic metres *of water are lost* there from evaporation. The canal is to help drain the swamps and reduce that loss, making more water available for the area east *of the river* and for Egypt downstream.

The annual yield of the Nile is 84bn. cubic metres, of which another 10bn. are lost by evaporation from the waters dammed up at *Aswan. Under present* agreements Egypt takes about 75 per cent. of the Nile Waters, and Sudan 25 per cent.

The ultimate aim of both coun*tries — though more impetus* comes from Egypt which depends solely on the Nile to feed a rapidly multiplying population—is to control the entire river. The *second phase of the scheme* is to dam and regulate the outflow from the sources of the Nile, the great Equatorial lakes of East Africa. That would need the co-operation of several States that are not always in agreement with each other. Kenya, Uganda and Tanzania, for instance. But a series of talks recently held in Cairo did move some way towards a possible long-term Pan-African deal on the Nile.

Meanwhile, hopes are pinned on Jonglei, which will provide 4.7bn. cubic metres a year (half each for Egypt and Sudan) by diverting some 20 per cent. of the White Nile before it enters the Sudd swamps. That will bring economic benefit to Sudan *worth about $75m. a year (the* estimate comes from a successful irrigation shceme in the north). It will also cut 300 kms. off the arduous river journey from Khartoum to Juba, capital of southern Sudan, and provide as spin-off a hard all-weather road along its banks.

Jonglei has its opponents, notably Friends of the Earth and other conservationist groups. Their case rests on the uncertain environmental effects on the swamps and local wildlife and on the tribes which live in the canal area, notably the nomadic Dinka. But the Dinka, led by government propaganda and fieldwork among their villages, see the canal as being to their advantage. Bad flooding in the early 1960s caused a change in traditional tribal economics—away from the simple owner*ship of cattle, important socially* though that still remains. Many Dinka now want to plant food crops and improve their living standards with the money that *would bring. To do so they need* reliable water supplies for irrigation.

As for the wildlife, a Sudanese cabinet minister summed up the official attitude to the *problem* recently in Khartoum: "If its a question of who survives, the animals or the people, the people will come first."

RESTRAINED BUDGET FOR CANADA

Sales tax cut, oil industry boosted

BY VICTOR MACKIE

OTTAWA, April 11.

MR. JEAN CHRETIEN, the Canadian Finance Minister, proposed a reduction of sales taxes in his budget for 1978-79, as well as increased incentives for research and development in industry, and for a more intensive exploitation of Canadian oil resources.

The reductions to the sales tax are expected to produce a benefit to consumers of at most $1.1bn. (about £470m.), giving the budget a fairly restrained character even though the Liberal Government of Mr. Pierre Elliott Trudeau faces elections — perhaps as early as June. Its economic management has come under fire, especially since the Canadian dollar began to slide almost 18 months ago. On that matter Mr. Chretien restated the accepted policy that the exchange rate must move in response to the market, but that short-term fluctuations should be moderated by official intervention.

Sales tax is to be cut by 3 per cent. for at least six months, except in Alberta and the North West Territories which levy no sales tax; and in Quebec which sets its own rates. Mr. Chretien has offered the provinces at least partial compensation for the loss of revenue from this cut. Quebec has undertaken to consider the offer and to decide within a few days.

This was the only tax cut the Finance Minister announced in *his pre-election budget.*

Mr. Trudeau has warned that if the opposition persists in making political capital out of the budget debate, due to start *to-morrow, he may recommend* dissolution of Parliament this week and go to the country. If he does not call the election for June 12, he is expected to choose *June 19, with dissolution taking* place next week.

The minister had little room to manoeuvre however, not daring to introduce big cuts in *personal income taxes or cor*porate taxes for fear of bringing on greater inflation and again undermining the value of the Canadian dollar in interna*tional markets, where the dollar* is already weak.

The federal sales tax, imposed at the manufacturer's level, remained unchanged. But in retail sales taxes—imposed by the provinces the Government offered tax-transfer compensation to bring about a six month *reduction in provincial rates.*

The Budget made the following social changes:

- Retirement income options are being enlarged for holders of the Registered Retirement Savings Plans (essentially a tax shelter for personal savings to be kept until retirement age), which Ottawa introduced several years ago. Previously, the owner of an RRSP could only withdraw his money when he reached 71 or convert it into an annuity.
- Existing tax-free transfer provisions for family farms are widened to include incorporated family farms.
- Board and lodging benefits become tax-free for single persons employed at remote work sites, a provision formerly limited to those with married or equivalent status.
- Income Tax Act revisions will *facilitate the introduction of new* provincial family reform laws.

Mr. Chretien's Budget offered industrial growth incentives in three major areas: research and development, energy, and railways.

Mr. Chretien offered a specific incentive to industry to increase *research* and development costs, which already qualifies for an immediate tax write-off and investment credit. Under the budget proposals, half of incremental research and development costs may in addition be deducted from income.

Budgetary revenues after the new measures are forecast at $C36bn. This is based on an increase in the gross national product of 11 per cent. in current dollar terms. About 6 per cent. of this would be due to price changes and close to 5 per cent. to real growth.

Budgetary spending on non-budgetary loans is projected at $C48.45bn., a reduction of $C350m. from the main spending estimates for the year, tabled in February. The reduction reflects a decision by the Government to reduce the ceiling on expendi*tures by that amount.*

Total financial requirement of the Government in 1978-79 will be about $11.5bn. exclusive of foreign exchange transactions.

Exxon to sue Gulf over uranium

By Stewart Fleming

NEW YORK, April 11.

EXXON, the largest oil company in the world, is bringing a multi-million dollar suit against Gulf Oil and its associate, General Atomic, alleging illegal activities, including participation in an international uranium cartel.

The suit arises out of a contract between Exxon and Gulf signed in May, 1973, under which Exxon's nuclear unit was to supply 6m. lbs of uranium to Gulf, from January, 1979, and on into 1984. Gulf assigned the contract to General Atomic—a partnership between Gulf and a division of Royal Dutch-Shell.

The litigation between Gulf and Exxon is the latest in a series of suits stemming from alleged participation by Gulf in an international uranium cartel. Early last month, General Atomic was hit by a default judgment in a New Mexico court after unsuccessful attempts by United Nuclear (another U.S. company in the uranium supply business) to force it to provide information about the uranium cartel. The information is held in the files of a Gulf subsidiary in Canada.

The judgment had the effect of nullifying two uranium supply contracts under which United Nuclear was to have supplied General Atomic with some 27m. pounds of uranium at prices of $10½ a pound, which compares with the present price of more than $40 a pound. General Atomic is expected to appeal against the judgment.

Gulf is also defending itself against a suit brought by Westinghouse Electric, alleging anti-trust violations because of the operations of the cartel.

Exxon's move follows discussions between it and General Atomic, in the course of which Exxon told Gulf and General Atomic that it (Exxon) believed that its 1973 contract to supply uranium next year was void because of Gulf's alleged involvement in the uranium cartel.

According to Exxon, Gulf and certain affiliates made a concerted effort to gain control of a *substantial* portion of U.S. uranium and uranium reserves in order unlawfully to restrict free market supplies.

Exxon may well have been forced into the litigation against Gulf and General Atomic. Following its recent talks with the companies, General Atomic filed a lawsuit against Exxon on Friday asking for a declaratory judgment and for damages for alleged anti-trust violations arising from the anticipated non-delivery of uranium by Exxon.

Evidence of the operation of an international uranium cartel began emerging in the U.S. more than a year ago as a result of the lawsuits being filed and investigations by a Congressional committee. The evidence alleged that the Governments of Canada, France, South Africa and Australia—together with leading uranium producers including Rio Tinto Zinc of the U.K.—supported the establishment of a uranium producers' club or cartel.

COLOMBIA'S ECONOMIC PROBLEMS

Trading in coffee and drugs

BY SARITA KENDALL IN BOGOTA

WHEN LEADERS of Colombia's principal financial and industrial organisations were asked to *specify priorities for the eco*nomy in 1978, they answered almost unanimously: security, inflation and employment. That security should top the list may seem strange, but kidnapping, smuggling, corruption and large scale robbery are among the main problems faced by businessmen in Colombia.

There are many examples of how these problems affect the Colombian economy. Importers of spare parts, for instance, expect to lose half their orders in transit. A multinational company has decided not to establish tape producing plant because contraband and forged cassettes would easily undercut its prices. A leading banker calculates that only *one-third of the country's* financial resources are handled by legal banks and financial corporations. An estimated 300m. cartons of cigarettes were *smuggled into Colombia last* year, and 400,000 bags of coffee were smuggled out.

Last year's booms in coffee exports and drug trafficking *brought in unprecedented foreign* earnings flooding the country with dollars. Coffee exports were worth $1.4bn.—65 per cent. of total exports, and 50 per cent. up on the *1976 coffee figure*—and cocaine and marijuana earnings are reliably estimated at between $1bn. and $3bn. annually. Exchange restrictions were *imposed in order to limit* liquidity, and their effect was reinforced by stringent reserve requirements. Banks which failed to meet these requirements *have been fined heavily,* and bankers have attacked Government policy, claiming that the impossibility of providing adequate credit from the legal banking system *is pushing their* clients into unofficial channels where interest rates are as high as 50 per cent. In spite of these excellent financial opportunities *in the country, many Colombians* keep their contraband earnings in foreign accounts, only remitting enough to ensure a luxurious standard of living.

Among the euphemisms applied to the increasingly large sector which derives its earnings from dubious sources is the "emergent class." The same phrase is used by the Liberal presidential candidate, Sr. Julio César Turbay *Ayala, to describe his power* base. With his resounding defeat of a rival for the party nomination, Sr. Carlos *Lleras* Restrepo, in the election on February 26, Sr. Turbay has loosened the hold *of the Colombian oligarchy,* which was based on its control of coffee and industry.

Although some of Sr. Lleras' supporters may vote for the Conservative candidate Sr. Belisario Betancur, or for a retired soldier, General Alvaro Valencia *Tovar in the presidential elec*tions in June, the Liberal party usually takes at least 55 per cent. of votes, and Sr. Turbay is likely to be the next President.

General Valencia Tovar, who represents a "National Renovation Movement," has launched his campaign with an open letter beginning: "Colombians, on February 26, the political class lost the moral right to govern us." But in spite of their failure to mobilise more than a third of the electorate, the establishment parties *have virtually bottomless* campaign funds and a maximum access to the media. The General will have a tough battle to win even 10 per cent. of the votes in June. *Nor will his anti*corruption platform have a very wide appeal in a country where a man gaoled for fraud, has received an overwhelming majority *in his election to the Senate.* Left-wing groups, drastically split and involved in alliances with the remnants of populist movements, can hardly expect to do any better than General Valencia.

Sr. Turbay has the support of President Alfonso López Michelsen, and his economic advisers include President López's first treasury minister, Sr. Rodrigo Botero. Thus his *policies hardly vary from those of* the current Liberal administration, and his luke-warm pretensions to represent social change in Columbia carry little weight, *though he claims to be the* "popular candidate."

With wages steadily losing their purchasing power — last year's official inflation rate was nearly 30 per cent.—and continuing labour unrest, the candidates are all promising to fight rising prices. This year's coffee earnings are likely to be much lower than *last year's, and non*-traditional exports are barely growing at all, so that pressures increasing the money supply should drop, were it not for the *enormous contraband income.* A poor agricultural year in 1977 contributed to inflation, and though this year's harvests may be up, the overall growth is not *expected to* improve on last year's estimated 5 per cent.

Foreign investment, which fell in 1977 to its lowest level for four years, continues to be stagnant—but, *on the other hand,* Colombia has international reserves to cover a whole year's imports.

One of Bogota's leading liberal dailies recently carried a big story *on "coffee and marijuana*—two economies and two cultures," analysing the replacement of the "coffee elite" by the "marijuana elite." With *marijuana* production concentrated mainly on the Caribbean coast, this region is enjoying its first bonanza after years of exclusion from the dominant in*dustrial cities of central* Colombia.

Sr. Turbay has substantial support in the northern coastal states and has promised to *undertake a major programme of* decentralisation which will benefit this and other previously neglected areas of the country. But if abstention remains very high in the presidential election, the next Government will be in a precarious position and will have to act firmly to keep power.

Former FBI chief indicted

BY DAVID BELL

WASHINGTON, April 11.

THE FORMER head of the Federal Bureau of Investigation (FBI) and two senior assistants have been indicted on charges arising from their hunt for radical groups in the early seventies.

Mr. Griffin Bell, the Attorney General, said that the indictments came at the end of a three-year investigation into a series of break-ins that took place without a warrant into the homes of relatives and associates of a group called the Weathermen, which was suspected of masterminding a series of bombings at the turn of the decade.

Mr. Bell, who simultaneously dropped a similar charge against the FBI agent who led the break-in teams, said that the indictment sought to put the responsibility for the FBI actions where it belonged—at the top. The maximum penalty for Mr. Patrick Gray, the former acting head of the FBI, is some ten years in prison if he is found guilty.

The Justice Department decision to prosecute such senior officials for failing to obtain warrants is bound to cause controversy.

But Mr. Bell has argued that the FBI was acting outside the law, that its senior leadership knew this and that an example must be made to ensure that henceforth the FBI—"and for that matter the CIA"—does not act without warrants in the future.

Both Mr. Gray and Mr. Felt insisted in statements that they *had not knowingly* broken the law and that they had acted at all times in the best interests of the U.S. Some 68 other members of the FBI are also to be disciplined for their part in the Weathermen hunt.

Ceausescu visits Carter

BY ANTHONY ROBINSON

PRESIDENT Nicolae Ceausescu of Romania arrives in Washington to-day for the first of a series of meetings over the next three *months which will include an* official visit to China in May and a state visit to London on June 13.

The Washington visit is the first such by a Warsaw Pact leader since President Carter took office. It closely follows the visit last month by President Tito of Yugoslavia.

International issues are expected to dominate discussions with Mr. Carter, but Mr. Ceausescu is also anxious to secure Congressional approval for the indefinite prolongation of most-favoured-nation status, first granted five years ago and since renewed annually. He is also expected to discuss further technology transfers and joint ventures.

The Washington visit, intended principally to underline Romania's independent *foreign* policy, in spite of its adherence to the Warsaw Pact, has been preceded by much diplomatic activity. This included a visit to Bucharest by the Israeli Foreign Minister, Mr. Moshe Dayan, and a trip to Damascus by the Romanian Prime Minis*ter, Mr. Manea Manescu.*

Mr. Ceausescu played an important role in encouraging the Sadat peace initiative and is expected to affirm his willing*ness to continue as "honest* broker" in the Middle East. In a recent interview with the Hearst newspaper chain, he called for continuing support for *the Sadat initiative but criticised* Israeli inflexibility. He said that a worsening of the Middle East situation, and new recourse by the Arab countries to the regu*lation of oil exports as a weapon,* would cause negative reactions regarding Israel.

Apart from the Middle East Romania maintains contacts *with both sides in two other* areas—the Vietnam-Cambodia dispute and Korea—which are of direct concern to the U.S. and China. Both subjects are *expected to be discussed in* Washington and the talks will take on special significance in view of Mr. Ceausescu's forthcoming visit to China.

Author acquitted in Brazil

BY DIANA SMITH

RIO DE JANEIRO, April 11.

THE SUPREME military Tribunal in Brazil has acquitted the German author, Mr. Kurt Mirow of charges of crimes against national security, and ruled that the tribunal is incompetent to judge him.

Mr. Mirow's book Dictartorship of the Cartels was withdrawn from circulation here early last year under a law which makes it a crime to "divulge false or true reports in a tendetious or truncated manner, aimed at turning the people against the constituted authorities."

The book, in a wealth of detail, alleges that trans-national companies — especially in the electric, automobile, chemicals, textile and steel industries—drove the Brazilian government (and other governments) into granting them privileged positions which retarded Brazilian development and virtually dictated economic and political rules.

In their ruling, the military judges called the case the "most important in recent times," which could alter the criteria adopted for censorship, and described the book as "a warning cry for our economic independence." One tribunal official, Sr. Deoclecio da Siqueira, went so far as to say that the industrial complex of Sao Jose dos Campos in Sao Paulo state, had "suffered the influence of the cartels, and the interference of cross-licensing." A tribunal judge, Gen. Rodrigo Octavio, maintained that the book was a "notable work which honours economic literature. I am surprised that an accused of this category is brought before us for trial."

Gen. Octavio maintained that Mr. Mirow "spoke the truth because, all over the world, the cartels are developing and asphyxiating national companies."

U.S. COMPANY NEWS

Currency losses fall to slow International Paper; sharp rise at Mellon; du Pont monopoly complaint, Page 30

S. Africa and Japan agree to Community steel curbs

BY DAVID BUCHAN

BRUSSELS, April 11.

JAPAN and South Africa have now agreed to limitations on the quantities and prices of their steel shipments to the European Community for the rest of 1978.

The agreements, signed with South Africa on Friday and with Japan yesterday, follow one last month with the EFTA countries, and EEC officials expect agreements with Spain, Czechoslovakia, Hungary and Bulgaria by the end of the week.

Japanese steel shipments are to be 1.2m. tonnes this year, against 1.3m. tonnes in 1977 and 1.6m. tonnes in 1976. The level set for South African steel exports to the EEC in 1978 is 332,000 tonnes—of which 32,000 tonnes can be in semi-finished product.

In return, both Japanese and South African exporters will be allowed a competitive price edge on these sales in the Community—4 per cent. on special steels and 6 per cent. on other products below prices charged by EEC manufacturers.

This compares with the 3 per cent. margin given the EFTA countries, which, however, because of their free trade agreement with the EEC, have no formal restrictions on the quantities they sell to the Community.

The Brussels Commission has missed its original deadline of March 31, 1978 for arrangements with all major steel supplying countries. But EEC officials are not greatly concerned by this, even though negotiations are still dragging on with East European Countries.

The reason is that the present system of minimum import prices, introduced at the start of 1978, will be continued against those countries which have not yet signed agreements with Brussels. This enables the Commission to take swift action in starting anti-dumping investigations.

A large number of anti-dumping cases have in fact been opened since January. EEC officials admit that many have little foundation to them, but feel that the investigations have proved a useful political stick to persuade steel supplying countries to negotiate with Brussels.

So, the Commission has decided not to close the anti-dumping cases, even against those countries which have reached agreements, for another three months.

This puts their good behaviour on trial for a further period during which the Commission will monitor their steel sales on a monthly basis.

Nippon still top producer

FEW CHANGES took place in the Western world steelmaking league last year. The rankings of the first 11 companies remain unchanged.

Nipon Steel held its position as the biggest steelmaker with an output of 32.4m. tonnes. The British Steel Corporation remained the third biggest company with an output of 17.2m. tonens.

Kobe Steel moved up from 13th place to 12th place, ahead of Usinor of France. The figures are compiled by the International Iron and Steel Institute.

THE TOP TWELVE WESTERN STEELMAKERS

	1977	1976	Ranking in 1976
	(m. tonnes)		
1. Nippon Steel	32.4	34	1
2. U.S. Steel	26.1	25.7	2
3. British Steel	17.2	19.1	3
4. Bethlehem	15.1	17.1	4
5. Nippon Kokan	13.8	14.7	5
6. Finsider	12.9	13.4	6
7. Sumitomo	12.5	13.3	7
8. Kawasaki	12.5	13.3	8
9. August Thyssen-Hutte	11.5	12.8	9
10. National Steel	8.5	9.8	10
11. Republic Steel	8.4	8.7	11
12. Kobe Steel	7.4	7.8	13

Canada cuts U.K. imports

BY VICTOR MACKIE

OTTAWA, April 11.

[T]HE CANADIAN Finance [Mi]nister, Mr. Jean Chretien, has [an]nounced that benefits of the [Br]itish preferential tariff will be [wi]thdrawn from certain goods [im]ported into Canada from the [Un]ited Kingdom and Ireland.

These goods include confec[tio]nery, cranes for mounting on [tru]cks, certain diesel engines, [cer]tain apparatus used in com[mu]nity antenna television trans[mi]ssion lines and knitted gar[me]nts.

The main reason for this action [is] to assist Canadian manufac[tur]ers who are operating at below capacity or who have lost significant business to imports from the U.K. and Ireland. These imports will now be dutiable at most favoured nations rates of duty.

Mr. Chretien said that since Britain and Ireland ended Canada's preferential access by joining the EEC, Canada no longer has an obligation to extend preferential tariff treatment to British and Irish goods.

Many of the remaining margins of preference will disappear as a result of tariff reductions made in the multilateral trade negotiations.

Israeli exports buoyant

BY L. DANIEL

JERUSALEM, April 11.

[TH]E FLOATING of the Israeli [po]und and the resultant price [inc]reases in raw materials and [inp]uts, such as fuel and electri[cit]y, have not arrested the growth [of] Israeli exports.

[T]hey increased by an average [of] 28 per cent. in the first quar[ter] of 1978, compared with the [sam]e period of 1977, to reach [...]4m.

[T]his is only 2 per cent. less [tha]n the growth rate for 1977 as [a w]hole, and may be attributed to [a] temporary drop in income [fro]m citrus due to the mercury [sca]re.

[D]espite this, overall agricul[tura]l exports rose by 14 per cent. [to] $175m. thanks to larger ship[me]nts abroad of fresh agricul[tura]l produce other than citrus.

[In]dustrial exports other than polished diamonds at $405m. were up 29 per cent. (roughly unchanged from the 1977 average) with most categories exceeding this figure except for textiles, apparel and leather goods, which rose by only 10 per cent.

Sales abroad of polished gem diamonds at $344m. were up 35 per cent. (40 per cent. for the whole of 1977).

● The volume of cargoes handled by Israel's three ports increased by 12 per cent. during fiscal 1977-78 to reach almost 10m. tonnes, according to preliminary statistics. Growth in 1976-77 was 10 per cent. Haifa accounted for 53 per cent. of the volume, Ashdod 36 per cent. and Eilat 11 per cent.

Doko for Brussels talks

TOKYO, April 10.

[TO]SHIWO DOKO, president of [the] Federation of Economic [Org]anisations (Keidanren), said [he] will discuss trade problems [bet]ween Japan and EEC [cou]ntries, including Japan's sur[plu]s with the Community, in [Bru]ssels this week.

[M]r. Doko said he will meet [ind]ustrialists and businessmen [whi]le leading a nine-member [missio]n to Brussels for meetings on [Apr]il 20 and 21 between the [Keid]anren and the Union of In[dust]ries of the European Communities (UNICE).

But he said the talks are not designed to work out definite measures to solve trade issues.

Mr. Doko said measures to solve trade problems are being discussed on a Government basis between Japan and the EEC.

In a joint communique issued after trade negotiations here last month, Japan promised to do its best to reduce its current account surplus by one third in fiscal 1978, starting this month, and boost imports of manufactured goods. Reuter

[F]rench join Japanese in [p]harmaceutical venture

[THE] French chemicals and [text]iles group Rhone-Poulenc [has] formed a joint venture in [Jap]an with two Japanese com[pan]ies to market its pharmaceu[tica]ls, David Curry writes from [Pari]s. The new company is called [Ni]dia Yakuhin. The French [conc]ern will hold 51 per cent. [of t]he capital and the two Japan[ese] enterprises Shujai and [Sho]wa Denko 24.5 per cent. each. [The] company will handle all [Rho]ne-Poulenc products in the [Jap]anese market. They will be [imp]orted from France, prepared [for] the local market, and dis[trib]uted by Shujai.

[£7]m. dredger order

[A] new £7m. cutter suction [dre]dger has been ordered by Bos [&] Kalis B.V., a member of the [Roy]al Bos Kalis Westminster [Grou]p, from van Rees Shipyard [in S]liedrecht, Holland.

[Ge]rman iron outlook

[Wes]t German iron foundries are [not] expecting productivity [gro]wth in 1978, F. Esser, a mem[ber] of the board of the German [Fou]ndries Association said, [AP-]DJ reports from Solingen. He [said] total production, which last [year] dropped 2 per cent. might [also] fall again.

[Sho]rts £7m. deal

[Shor]t Brothers of Belfast, in a [...] order is to produce high-[tech]nology pods for the Rolls-Royce RB.211 jet engines in the recently announced Pan American Tri Star order. It will also provide flight and structural components, including ailerons, spoilers, wing tips, fin ribs, landing gear doors and environmental control doors.

USSR out of talks

The Soviet Union has withdrawn from talks planned here for late this month to review scientific and technological co-operation between the two countries, a Foreign Affairs spokesman reported to-day, Reuter reports from Canberra. The reasons given are bad Press publicity and Australia's refusal of a visa for a Soviet delegate.

Mexicana buys 727s

Mexicana, an important Mexican airline, has completed negotiations to buy three new Boeing 727-200 jets for delivery in late 1979, AP-DJ reports from Mexico City. Acquisition will be financed with loans totalling $36.9m. from Bank of America National Trust and Savings Association, Wells Fargo Bank and the Bank of Montreal.

Power for Indonesia

Four Japanese construction companies are to build a Y.20bn. ($91m.) hydroelectric power station in Indonesia, Nippon Asahan Aluminum said on Tuesday, AP-DJ reports from Tokyo.

Britain's sales to West Germany rise by 31%

BY GUY HAWTIN

FRANKFURT, April 11.

BRITISH EXPORTS to West Germany rose by close on 31 per cent. in January, according to official West German statistics. They went up from DM688m. in January, 1977, to DM901m. (£239m.).

Last year's export growth averaged 22.42 per cent., with sales of North Sea oil to the Federal Republic providing the lion's share of the stimulus. The trend was continued in the first month of 1978, although comfort can be derived from the news that British non-oil exports totalled DM807m., up 26.4 per cent. compared with a 1977 average growth rate of 14.6 per cent.

Britain's export performance in the West German market is considerably better than many of her competitors'. The Federal Republic's total imports in January amounted to DM19.41bn., a 9 per cent. increase on the same month of 1977. Non-oil exports were up 13.3 per cent. at DM17.81bn.

According to figures abstracted by the British Embassy in Bonn, the U.K. in January controlled 4.64 per cent. of the West German imports market and 4.56 per cent. of non-oil imports. That compares with the 3.86 per cent. and 4.08 per cent. respectively in January last year.

Creditable as that performance is, West Germany also substantially boosted sales to Britain, widening the surplus in visible trade between the two countries even further. While overall West German exports rose by 7.7 per cent. to DM21.31bn. in January, shipments to Britain soared almost 29 per cent. from DM1.01bn. in the same month of the previous year to just under DM1.3bn. At the same time the surplus widened from DM317.6m. to DM394.8m.

Although the figures give no indication of Britain's invisible exports to the Federal Republic, which show a big surplus, the figures still show Germany performing much better than the U.K. in finished goods. West Germany, whose exports are almost exclusively finished goods, saw its share of the British imports market rise just under 5.1 per cent. in January last year to just under 6.1 per cent. this year.

Dock strike in balance

BY KENNETH RANDALL

CANBERRA, April 11.

AN INDEFINITE dock strike in all Australian ports and a protracted nationwide strike in meat works appear to have been averted in eleventh hour negotiations by Mr. Bob Hawke, the national president of the Australian Council of Trade Unions. Both strikes were to have started to-morrow.

The trouble arose from a recent big increase in exports of live sheep, principally to Iran and Arab countries in the Middle East. From last year's total of 4.5m., live sheep exports this year have been estimated to reach 15m. at prices two and three times higher than the $A5 a head the animals would be expected to bring in Australia.

The meat workers' union sought an agreement last year with meat processing companies that the live export trade would not endanger jobs in local meat works.

In the past fortnight, picket lines at ports in South Australia and Western Australia have tried to prevent the loading of sheep, while sheep producers have formed work parties to break through picket lines and do the work themselves.

The use of non-union labour on two occasions this week led to the dock workers' call for a national strike from to-morrow. The meat workers employees followed.

Mr. Hawke announced late tonight, however, after conferring with about a dozen unions, that all bans and strike action would be called off to-morrow in return for the withdrawal of all non-union labour on loading

Brazil plans credit insurance scheme to boost exports

BY DIANA SMITH

RIO DE JANEIRO, April 11.

LATER THIS month the Bank of Brazil is to introduce a new form of incentive for export of manufactured good and services —export credit insurance.

The bank which is part state and part privately owned, said that it is doing so because Brazil's excessive dependence on exports of primary products has become "awesome."

The new insurance scheme, which is modelled on Britain's Export Credits Guarantee Department will provide up to 85 per cent. cover against political risks and up to 80 per cent. against commercial risks. There will also be a bank guarantee scheme operated in conjunction with banks providing export credits in the form of supplier credit and buyer credit.

Brazil's current policy of directing massive subsidies into manufactured goods and allowing large exemptions for this sector has come under fire from the Brazilian Central Foundation for Studies of Foreign Trade.

In a recent report, the foundation pointed out that this policy means that Brazil is directing the highest subsidies towards products which generate dollars at a higher cost to domestic resources, calling for greater absorption of skilled labour. Instead of promoting exports of products where Brazil is more competitive by nature—agricultural or semi-manufactured goods calling for unskilled labour—Brazil is even selling aircraft to Europe at the cost of such heavy subsidies that the dollars earned represent a heavy toll on the national economy, the foundation claimed

Despite these criticisms the often-voiced opinions of economic ministers make it clear that encouragement of exports of manufactured goods remains a Government priority.

Meanwhile Government pressure to reduce imports and increase exports is slowly yielding fruit, although the large state-owned enterprises are still showing large trade deficits. Some foreign multinationals have established a closer balance between imports and exports, although chemical concerns particularly still import far more than they export. These are the conclusions of a report by Cacex (Foreign Trade Portfolio of the Bank of Brazil), based on a survey of the January, 1978, import-export performance of 200 national and multinational companies.

The Brazilian Government hopes to coax foreign multinationals either to sell more abroad, or reduce outlays on imported raw materials or equipment.

Problems for cement sector

By Diana Smith

SHORTAGE OF investment, sketchy measuring of raw materials, foreign domination of technology and equipment together with difficulties in balancing supply and demand are pinpointed as the main difficulties facing Brazil's cement industry in a report by the Brazilian National Economic Development Bank (BNDE). Production is forecast to fall short for the next year, improve slightly in 1980 to 1982 and fall short again in 1983.

The BNDE report is critical of the failure of foreign enterprises operating in the sector to pass on expertise.

Meanwhile Brazilian companies such as Votorantium, Paraiso and Joao Santos, which account for half of local production, are losing ground to the foreign companies.

New impetus for Albras

BY OUR OWN CORRESPONDENT

RIO DE JANEIRO, April 11.

AFTER A slow start, fraught with rumours of Japanese reluctance to remain in the project, the Albras aluminium joint venture between Brazil and Japan is now moving forward.

A delegation from Nalco (Nippon Aluminium Company), a consortium of the Japanese Government and 32 private concerns), headed by its president, Mr Isao Kawaguchi, is holding talks in Brasilia this week with its Brazilian partner, the State-owned mining conglomerate, CVRD (Companhia Vale Do Rio Doce) in order to put the finishing touches on their joint participation.

CVRD will control 51 per cent. of the venture, and Nalco 49 per cent. The investment totals $1.38bn., 30 per cent. of which will be supplied from the partners' own capital (CVRD will put in $120m. and Nalco $190m.). The remaining 70 per cent. will be financed either by Brazil's National Economic Development Bank ($513m.), Brazilian economic incentive funds or foreign loans guaranteed for by Nalco.

Production of 38,000 tonnes of aluminium a year is due to begin in 1981 rising to 144,000 tonnes in 1983, with the ultimate goal of 322,000 tonnes a year in 1986. Added to the output of Brazil's other aluminium factories, the Albras project will make the country self-sufficient in aluminium by 1986 and save foreign exchange outlays of some $200m. a year.

The plant will be located near the port of Belem in the State of Para in the north. Topographical surveys of the 400 hectare area will begin in May.

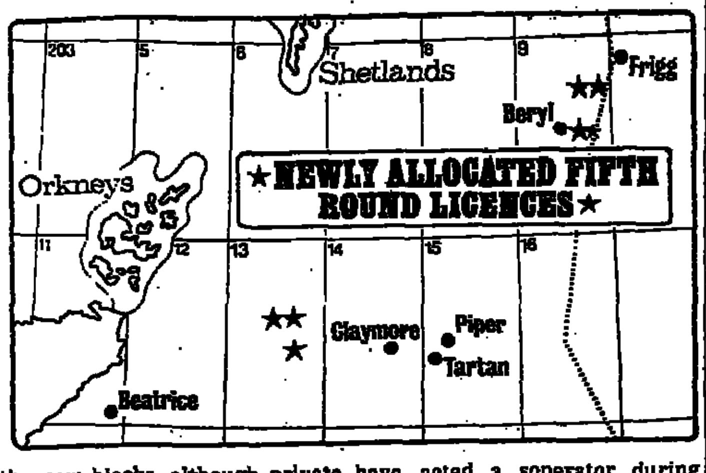
Drilling go-ahead for five N. Sea groups

BY RAY DAFTER, ENERGY CORRESPONDENT

NORTH SEA oil exploration is to receive a fresh impetus following the formal award of a new batch of licences.

Five offshore groups, each with British National Oil Corporation as a 51 per cent. partner, have been told by the Government that they can begin drilling in areas covered by seven concessions, offered under the fifth round of licences.

These were first offered to the oil industry in the summer of 1976. The corporation's involvement in almost all of the concessions and new conditions attached to the drilling rights meant that negotiations over terms have taken much longer than expected.



The Energy Department has still to formally award 10 of the 44 fifth-round blocks conditionally offered to the industry.

But the Government is pressing ahead with another batch of exploration licences, in a bid to maintain the momentum of offshore drilling. The Energy Department will shortly be outlining the draft terms of the sixth round to industry.

Details of the next round have not been revealed, although Mr. Anthony Wedgwood Benn, the Energy Secretary, has indicated that the conditions will contain novel ideas.

Within the industry, it is though that the corporation will again have a majority stake in the new blocks, although private companies may be asked to pay for at least the corporation's share of exploration costs.

The Government is also expected to attach new conditions to the development of any field found under the sixth-round licences. One idea considered in Whitehall is that companies would have to obtain Government permission for various stages in a fields' development programme.

In addition, the Government and the State corporation may influence which company acts as operator for a field development programme. This company would be one of the licence partners, but might not necessarily be the group that would have acted a soperator during the exploration phase.

Companies formally awarded fifth-round licences yesterday were: The British National Oil Corporation, Zapex (Scotland), Carless Exploration, Gas and Oil Acreage, P and O Petroleum, and Santop—block 13/13; BNOC and Mobil North Sea—block 13/19; BNOC, Kerr McGee Oil, Bow Valley Exploration, Shenandoah Oil Corporation—block 13/14; BNOC and BP Development—part blocks 9/9b and 9/15b; BNOC, Hamilton Brothers Oil Company, Hamilton Brothers Petroleum U.K., Hamilton Brothers Exploration U.K., RTZ Oil and Gas, Blackfriars Oil and Trans-European Company—part blocks 9/10c and 9/14b.

Car imports down 4.9 per cent.

A REVIVAL in British Leyland and Chrysler car sales last month helped the U.K. industry push back imports from 45.7 per cent. of the market a year ago to 40.8 per cent.

Because of the overall improvement in sales, which went up by almost 45 per cent., compared with a year ago to 179,000 units, importers still sold more cars—73,000, against 56,500 a year ago. But the British industry made an even bigger improvement, with sales going up from 67,000 cars to 106,000.

U.K. CAR REGISTRATIONS

	March				Three months ended March			
	1978	%	1977	%	1978	%	1977	%
British Leyland	55,485	30.96	27,998	22.63	122,201	26.06	95,990	26.25
Ford	41,395	23.10	31,886	25.78	123,728	26.39	93,734	25.63
Chrysler	14,994	8.37	6,937	5.61	31,697	6.76	20,627	5.64
Vauxhall	14,864	8.29	13,186	10.66	33,914	7.23	35,905	9.82
Total British	106,040	59.16	67,207	54.33	254,087	54.19	208,738	57.08
Datsun	9,364	5.22	8,001	6.47	33,336	7.11	18,619	5.09
Fiat	7,262	4.15	7,178	5.80	21,153	4.51	18,217	4.98
Renault	6,166	3.44	4,296	3.47	18,751	4.00	16,491	4.51
VW/Audi	5,333	2.98	5,547	5.48	15,259	3.25	12,427	3.40
Total imports	73,193	40.84	56,500	45.67	214,828	45.81	156,973	42.92
Grand total	179,233	100.00	123,707	100.00	468,915	100.00	365,711	100.00

Chipboard pledge by Sweden, Spain

BY OUR GLASGOW CORRESPONDENT

SWEDEN AND SPAIN have given an undertaking that their chipboard manufacturers will observe minimum price and export levels to the U.K.

The agreement was reached after talks between the EEC, the British woodchip manufacturers association and the two Governments concerned. It was announced yesterday in Glasgow, by Dr. Monty Nicholls, chairman of the association.

Speaking at the opening of the Scotbuild Exhibition, Dr. Nicholls said that similar agreements were required with Finland, Romania, Norway and Portugal.

Later Mr. Bob Watson, the association's vice-chairman and managing director of Scotboard at Irvine, said that dumping by these countries had caused severe problems last year.

He claimed that even under the new agreement Swedish and Spanish producers were still exporting to Britain at dumping prices.

The new agreement affects about 20 per cent. of imported chipboard this year. British manufacturers have about 30 per cent. of the market, although together they have the capacity to provide 50 per cent.

Breakaway cutlery group expands membership

BY JAMES McDONALD

THE FEDERATION of British Cutlery Manufacturers formed three months ago with the object of fighting unfair competition, now has 30 members of an estimated total of 140 manufacturers in the industry.

The new federation wants something done about the practice of some manufacturers of importing cheap polished cutlery and flatware or holloware, plating it and marking it "Sheffield" or "England."

It also favours import controls, but believes these should be applied against all imports and phased in gradually. In contrast, the long-established Cutlery and Silverware Association — which represents 75 per cent. of the 10,000 people working in the industry — wants a minimum of 50 per cent. of the home stainless steel table cutlery market to be supplied by British companies.

The federation believes that the cutlery association's case is hampered by the fact that many manufacturers who are members of the association have also been heavily involved in importing.

Failure rate in businesses level at 438

BUSINESS failures in the first three months of this year, notified to Trade Indemnity, the credit insurance operation, totalled 438, about the same level as in the final three months of 1977.

However, they showed a sharp fall from the 534 failures in the first three months of last year.

Textiles and clothing, engineering and metals and furniture and upholstery each recorded increases between the final three months of last year and the first three months of this year, but showed decreases on the opening three months of 1977.

Only retailing and wholesale distribution, with 123 failures, recorded increases on both periods.

Fraud charge trial for two

TWO MEN have been sent for trial at the Old Bailey from Marylebone Magistrates Court charged with fraud and forgery in connection with certificates of deposit. They are Joseph Khalife and Heinrich Peter Unterlaggauer.

One of the charges alleges that the two conspired with others to defraud such persons as might be induced to believe that certificates of deposit issued by a concern called European and Arabian Bank were valid, and that the European and Arabian Bank was engaged in a genuine and honest business as a bank.

Reconstruction key to National Freight profitability

BY IAN HARGREAVES, INDUSTRIAL STAFF

THE NATIONAL Freight Corporation should, in the Government's view, return to year on year profitability, as a result of the financial reconstruction proposed in the Transport Bill now before Parliament. It lost £10m. last year an d£15m. in 1976.

Mr. William Rodgers, the Transport Secretary, yesterday rejected calls from a Labour member of the standing committee on the Bill for a more generous reconstruction, and calls by Conservative members for a tougher approach.

He said that the decision to reduce the corporations's capital debt to £100m. had been taken after close consideration of its financial position and would, backed by positive and efficient management, permit the corporation show a profit.

Mr. Peter Ellis, an MP sponsored by the Transport and General Workers' Union, advanced the argument already made by the corporation that, after reconstruction, it would have to return over 15 per cent. on capital to break even—an unrealistic target.

A Conservative amendment to delay the capital debt write-off for one year until July next year and leave the corporation with £150m., rather than £100m., of debt was withdrawn.

Leyland division's £14m. development

FINANCIAL TIMES REPORTER

A £14m. modernisation and development programme was announced yesterday for two factories in British Leyland's component manufacturing subsidiary S. U. Butec.

The company will spend £8.4m. on new production facilities for Oxford Exhaust Systems, which, as well as exhausts, makes petrol tanks and oil coolers. The factory will become semi-automated and a design and engineering centre will be built along with a computer-controlled test centre.

It is expected to develop new silencer and exhaust systems for production in the near future, both for supply to Leyland and the aftercare market.

Nearly half the £6m. at Llanelli Radiators in South Wales will also be spent on a design and engineering centre. The company is to develop and produce a new range of aluminium alloy radiators partly to replace some older copper and brass radiators.

These are destined for volume car production and the introduction of the new materials will also require new production techniques and equipment. However, Leyland is convinced that the new alloy radiators will offer improvements in price, weight and reliability.

Neither of the two investment schemes is likely to lead to any significant change in employment levels at the two factories. All the capital will come from internal profits and cash reserves.

S. U. Butec is part of British Leyland Components. There are seven factories in the division employing a total of about 8,000 people. Turnover is more than £100m. a year and the division claims to be "highly profitable."

Recently the Leyland parts division announced it was extending its range to include parts for foreign cars while making a new attempt to increase its share both of garage-bought parts and sales to the retail aftercare market.

It is thought that part of the reason behind the investment plan for the two components factories is to make a significant attempt to expand sales through aftercare and more accessory shops.

U.K. trailer production nearly 50% higher

BY OUR MOTOR INDUSTRY CORRESPONDENT

TRAILER PRODUCTION for the commercial industry in the U.K. rose last year by almost 50 per cent. to 17,177 units, according to industry estimates.

The figures show that the improvement in output, which brought the industry back to the levels which were being achieved in the early 1970s, was due entirely to a rise in demand on the home market.

Since the slump in the commercial vehicle market set in during 1975, the main British trailer companies have increased exports substantially. But last year exports stayed steady at 3,387 units against 3,385 in 1976.

Sales have continued to rise in the first quarter of this year, despite a slight fall back in January. This is in line with the general trend of the commercial vehicle market, in which sales went up by almost 17 per cent. in the first two months.

The indications are that British companies are still finding it difficult to raise their export sales, following the reduction of capacity which has occurred in the last two years to take account of the slump.

Crane Fruehauf, Britain's biggest trailer producer, is estimated to have captured about 50 per cent. of the U.K. market last year, with sales totalling about £35m.

NEB buys stake in equipment group

FINANCIAL TIMES REPORTER

THE National Enterprise Board has bought 30 per cent. of the equity of Automation and Technical Services, which manufactures telemetry and communications equipment, for £50,000.

It has subscribed a further £100,000 in 7 per cent. cumulative participating preference shares, redeemable between 1981 and 1986.

Automation and Technical Services was set up in 1969 and in the past few years has grown at a rate of about 40 per cent. It employs 38 people and has a turnover of more than £750,000.

Mr. R. F. Ferguson, managing director, said yesterday that the company had two products which would attract large markets, but which required substantial capital which the company could not generate itself—a telemetry system and a teleprinter-linked visual display unit.

The banks had shown little interest in funding the capital requirements. They were concerned with the lack of disposable assets in the event of failure.

The Enterprise Board said that the company had significant export potential, especially within Europe.

1680 Tokay sells for £580

SALEROOM

BY ANTONY THORNCROFT

PERHAPS the most interesting auction in London yesterday was at Bonhams which sold what could well be the oldest bottle of wine to appear in a saleroom. It was a bottle of Imperial Tokay dating from 1680-1700, but apparently still drinkable.

It had been in the cellars of Kaiser Wilhelm but was appropriated by a British colonel after the First World War and his family sold it yesterday for £580.

Another bottle of Imperial Tokay, this time of around 1740, fetched £460. Both were bought by the London wine dealer Mimir. The auction realised £17,498. A bottle of Cockburn port, 1863 vintage, sold for £42, and a dozen bottles of Romanée Conti 1953 fetched £540.

A drawing by Francois Bouchet sold for a record £15,000 at Christie's yesterday, in a sale of Old Master drawings which totalled £115,555. Purchased anonymously, it had been sent for sale from the U.S.

Titled Les Crepes, the drawing reflects Bouchet's interest in Dutch art, and was once in the possession of Randon de Boisset, with whom Bouchet travelled in the Low Countries in 1766.

Tunick, the New York dealer, paid £5,00 for a black chalk, pen and brown ink drawing of the Archangel Michael by Paolo Farinato, and Ferretti, the Italian dealer, £4,800 for a sheet of studies of the Infant Baptist by Il Parmigianino.

In other lots, Ratjen, the German dealer, paid £4,000 for studies of the Madonna and Child, a kneeling martyr, a pilgrim saint, figures and other chalk drawings by Palma Giovane and Cailleux, the French dealer, £4,000 for one of a series of drawings of Satyrs and Centaurs by Tiepolo.

Christie's also sold art nouveau, art deco and studio pottery to £56,365. To-day's top lot at £2,800 was for a Joseph Brocard enamelled mosque lamp, 11½ inches high, of green-tinted glass.

Martins Forest, the London dealer, paid £1,700 for a Deaum table lamp, 37½ inches high and Bong, the German dealer, £1,400 for a Lalique clock, 15 inches high, fitted for electric light.

Sothebys sold European ceramics for £174,245. The top price was the £9,000, well above estimate, for a Florentine drug jar of the late 15th century, which had sold in 1965 for £1,500. It went to an Italian dealer.

A Meissen tobacco box of around 1740 made £4,000, and a German dealer gave £3,400 for a German ewer of about 1598 by Hans Hilgers. Stodel, the London dealer, bought a set of eleven Dutch Delft plates of 1750 for £3,000.

The first day of Sothebys auction at Scone Palace on Monday brought in £78,775, with guns selling well. A pair of 12 bore by J. Purdey sold for £8,500, and a similar pair for £6,000.

Christie's South Kensington completed its house sale at Mare Hill, Cheshire, yesterday, realising £61,892. One painting by Naismith was bought in at £4,600, but a loch scene by the same artist sold for £3,500.

Broads national park plan shelved

BY STUART ALEXANDER

PLANS to make the Norfolk Broads a national park have been put "temporarily on one side" by the Countryside Commission. Instead it will offer "conditional support" to a plan to manage the area through a consortium of local authorities and other bodies.

This follows a second round of consultations after a document listing four options for the future of the Broads was published last September by the commission.

At that time Mr. John Cripps, chairman, said that its preferred scheme for a national park with extended powers would have to command "solid local support" if it were to be successful.

Although Suffolk County Council, Norwich City Council, the tourist boards and the Nature Conservancy Council are among those to support the commission, the Association of County Councils, Norfolk County Council, the Association of District Councils, various local councils and the Anglian Water Authority have all backed the consortium approach.

The commission has agreed to this plan but said this depends on there being adequate delegated powers, generous financial and staff resources paid for by the rates, and it should be established by the end of this year and be effective within two years.

It also wants three voting members to be appointed by the commission, to have a hand in defining the boundaries and to see published plans and reports.

In return it will consider grant aid. But it has warned that, if the consortium is not established by the end of this year and progress in the first two years is not satisfactory, then it will go ahead and designate the area a national park.

Whatever happens the commission says it will reconsider the position in five years time.

Manx Usury Acts to be repealed

By Our Isle of Man Correspondent

A BILL to repeal the Manx Usury Acts, which effectively limit interest rates on the Isle of Man, is to be announced within the next four weeks.

In 1973, a Bill to repeal the Acts was defeated in the House of Keys by one vote. Later that year, the maximum rate allowed was raised in the Usury Amendment Bill from 10 per cent. to the present 12½ per cent. Under the Acts, if anyone fails to make interest payments and the rate of interest is higher than 12½ per cent., none of the interest is recoverable through the courts.

● An independent customs service for the Isle of Man and the U.K. Government has been proposed by a Tynwald select committee looking at the 84-year-old Common Purse Agreement under which the Manx Government receives a share of Britain's overall customs and excise duties and VAT.

The Tynwald committee, noting that the Purse Agreement placed restrictions on the Isle of Man's fiscal freedom, said there should be no objection to the creation of a separate customs service provided rates of duty and VAT were maintained at U.K. levels.

Judge opens inquiry into funds for IRA

A COMMISSION of inquiry into allegations that the IRA received large sums of money from Northern Ireland Housing Executive funds by contracts and grants opened in Belfast yesterday.

The inquiry is headed by Judge Robin Rowland, QC, and although some hearings will be public, most of the proceedings will be behind closed doors.

It will not be able to order witnesses to attend, will not be able to order documents to be produced, and will not be hearing evidence under oath.

But when opening the inquiry at Stormont, the judge said the absence of such powers should not detract from either the thoroughness or the efficiency of the investigation.

The Royal Ulster Constabulary has already investigated the allegations and sent a report to the Director of Public Prosecutions. No action was taken.

£619m. grant for universities

BRITISH universities are to share a grant of £619m. for their recurrent spending in 1978-79, plus £41.8m. for furniture and equipment.

Announcing the grants in the Commons, Mrs. Shirley Williams, Secretary for Education and Science, said that both figures represented cash limits.

But if pay and prices affecting universities' recurrent expenditure were to rise by "substantially" more than the 6 to 10 per cent. allowed for in the Government's calculations, it would be prepared to review the main grant.

To assist the universities' long-term planning, Mrs. Williams also gave provisional figures for the main grant in the following three years. These, at 1978-79 prices, were: £635m. in 1979-80; £648m in 1980-81; and £670m. in 1981-82.

MP wants 3-year debt moratorium for British shipowners

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BRITISH shipowners facing liquidity problems as a result of the present slump should be granted a three-year moratorium on debts to shipyards by the Government, Mr. David Hunt, chairman of the Conservative Committee on shiping, said yesterday.

Mr. Hunt, MP for Wirral, said the present policy whereby the Departments of Trade and Industry agreed to moratoria on a month-by-month basis put unreasonable pressure on owners, who were likely to face difficult trading conditions for some years.

Government sources confirmed yesterday that debt arrangements between British shipyards and their domestic and foreign customers continues to be subject to ad hoc scrutiny as appeals for re-ordering of payments are made.

But there was no confirmation of a report that any large-scale package of aid for the industry is about to be revealed. This seems unlikely because existing arrangements appear to be adequate to meet the present problem.

Government guarantees for orders by British owners from British yards stood at £932m. in March last year—the most recent figure available. This will now have increased well beyond £1bn.

Under the terms of the 1975 Industry Act, the Government has power to provide guarantees aggregating £1.4bn., and can extend this to £1.8bn. by a Commons resolution.

Wide powers

The Industry Acts give the Government wide powers to deal with renegotiation of debt, much of which is handled by the Ship Mortgage Finance Corporation, the ship finance arm of Finance for Industry.

Although no shipping company has so far publicly admitted a need to renegotiate debt, it is known that several highly geared companies, with heavy exposure in the hardt-hit oil and bulk trades, have cash difficulties.

British Shipbuilders said some weeks ago that it dealt with up to ten requests for debt rescheduling from foreign shipowners who are building, or have built, in the corporation's yards.

The Export Credit Guarantees Department, guarantor in virtually all ship export deals, is also heavily involved and said that it had reached an advanced stage of debt renegotiation with a small number of owners, believed to be Greeks operating under the Liberian flag.

This process has already involved requests from yards to the department for payments to cover loan instalments on which owners have defaulted.

Liquidity

The banks are also active in dealing with the shipping sector's liquidity problems. Mr. Michael Revell, vice-president of Marine Midland Bank, recently estimated that banks worldwide were holding loans to the industry of $15bn.—about 40 per cent. of the total—the remaining risk being held by shipyards and governments.

Mr. Revell said that, although some banks had foreclosed on debt, there was no evidence of panic among bankers nor any risk of large losses.

Many banks had helped owners solve their problems by finding buyers for a troubled owner's vessels among stronger shipping clients.

Mr. Hunt, speaking to the London Seahorse Club, accused the Government of neglecting small owners in taxation policy, and of failing to deal with the major problem in liner shipping of Russian competition.

Britain must lead the EEC in a tough policy against the Soviet fleet, whose non-commercial practices had won it a big market share in key trades.

The EEC directive to be discussed by Community Transport Ministers in June, proposing monitoring of Russian shipping activity, did not go far enough, he said.

Industries urged to recycle heat

BY DAVID FISHLOCK, SCIENCE EDITOR

INDUSTRY could be wasting heat equivalent to three electricity generating stations, the Electricity Council indicated yesterday, launching a drive to promote heat recovery in industry.

Sir Francis Tombs, chairman of the Electricity Council, said it would take the lead in promoting heat recovery methods. If the heat was of a quality and quantity that could be applied economically, it made sense to recover it and use it again.

The Council has produced a travelling exhibition which will tour the U.K., demonstrating five different ways of recovering heat, in different industrial settings. In each case, claims the Council, the technique has been shown to meet the criteria set by the organisation features in the exhibition.

One example is drawn from the London factory of Bacofoil, where a heat pipe is used to recover heat from a dryer on the aluminium foil coating line. About a third of the energy normally used is saved by this method.

The Department of Energy said yesterday that the Government had allocated £21.5m. to demonstration projects for the recovery of heat.

Dr. John Cunningham, Parliamentary Under-secretary, said that the Electricity Council's scheme would demonstrate that such technology as heat pipes was not too exotic for industry to contemplate and that practices already established in one industry might prove relevant to others.

Recovery of waste heat could save the equivalent of up to 6m. tonnes of coal a year, said Dr. Cunningham. Its attractions included the fact that it could often be applied to existing plant, it offered the prospect of immediate savings, and it was applicable to a wide range of industries.

Spirit clearances rise 76%

CLEARANCES of spirits from bond rose to 1.33m. proof gallons in January, showing a 76 per cent. increase on the figure for January last year when there had been an abnormally high level of clearances ahead of a duty increase on January 1 that year.

Scotch clearances this January reached 697,000 gallons. Vodka led the white spirits at 157,000 gallons, with Rum at 141,000 gallons and Gin at 138,000 gallons. Brandy was up to 95,000 gallons.

Production of Scotch whisky dropped in January by 37.5 per cent. to 6.98m. proof gallons, compared with the same month last year. Total spirits output fell by 35.6 per cent. to 7.63m. proof gallons.

LABOUR NEWS

Scottish TUC angry over steel closures

BY RAY PERMAN AND ROBIN REEVES

THE CHAIRMAN of the Scottish TUC reacted strongly yesterday to news that European steel companies were showing interest in buying redundant BSC plants, including Glengarnock.

It proved that there was an economic case for keeping them open, he said.

The Financial Times reported yesterday that a West German concern had been assessing the possibility of taking over Glengarnock, which makes steel using the open-hearth process and also manufactures rolled products.

Mr. Arthur Bell, STUC chairman and Scottish officer of the Iron and Steel Trades Confederation, commented: "This confirms what we have been saying all along, that the British Steel Corporation has deliberately made certain plants—including Glangarnock — *into high-cost* plants.

"If private companies reckon they can make a profit out of Glengarnock, there is no reason why the BSC cannot. The lesson is clear: there is no serious economic case for the corporation to close Glengarnock."

In South Wales, British Steel management and the TUC steel committee were due to assemble at Ebbw Vale this morning to negotiate early closure of steel-*making facilities at the South* Wales works.

The TUC committee, led by Mr. Bill Sirs, general secretary of the Iron and Steel Trades Confederation, *was meeting Ebbw Vale's* works council last night to settle union negotiating tactics for securing special redundancy terms for the more than 2,000 men affected.

Some local union leaders are insisting that agreement to close the heavy end of the works nearly a year ahead of the scheduled date laid down by Lord Beswick *is not a foregone con*clusion.

Indeed, they dispute that March 1979 was the firm deadline laid down in the Beswick timetable—the basis for calculating ex gratia payments in the Hartlepool and East Moors, Cardiff, early closure negotia*tions.*

In the circumstances, local officials are reported to be looking for special payouts averaging £3,000 per man—about 36 weeks' wages. This is more than the 16-26 weeks' money agreed at Hartlepool, but less than the 42 weeks' secured at East Moors.

The steel corporation evidently stands to make a saving of £10m. between now and next March, given the immediate closure of Ebbw Vale's heavy end—the open hearth furnaces and the slabbing mill.

Approaching 4,000 men will continue to be employed in the works, mainly on tinplate production. The unions, however, have been told that the workforce *will need to be down to nearer* 3,000 men before Ebbw Vale has an internationally competitive manning level.

Union leaders face Grunwick censure

BY PHILIP BASSETT, LABOUR STAFF

THE EXECUTIVE of the Association of Professional, Executive, Clerical and Computer Staff will face a series of critical motions at the union's annual conference later this month for its handling of the long-running Grunwick dispute.

The conference will be called *upon to censure the executive* for its "cowardly betrayal" of four Grunwick strikers by suspending them from the union and withdrawing their strike pay after a hunger strike outside the TUC headquarters.

The executive will also be criticised for ending mass picketing of the Grunwick film processing factory in North London, and for an "excessive reliance" on legal procedure to settle the dispute. There will be calls for a resumption of mass picketing and the blacking of all essential services to the plant.

It will also be asked to carefully vet any applications for membership of the union from workers involved in a dispute to try to prevent a recurrence of the Grunwick position.

All the motions to be tabled *on pay oppose any further form* of wage restraint or incomes policy, and many call for an immediate return to free collective bargaining.

One motion states that pay guidelines put a disproportionately heavy burden on groups of workers such as APEX members who always keep to such rulings.

Leyland to announce Speke redundancy terms to-night

BY ALAN PIKE, LABOUR CORRESPONDENT

DETAILED PROPOSALS for redundancy payments at Leyland's Speke assembly plant, which is under three months' *notice of closure, are expected to* be outlined to national union officials to-night.

Union leaders have not accepted the principle of compulsory *redundancy and, to a* large extent, are in the hands of the Speke workforce which has so far remained committed to fighting the closure.

A mass meeting of the 3,000 employees involved will take place in Liverpool on Saturday, when they are likely to learn the detailed redundancy arrangements.

Union leaders at to-night's talks in York, where the Confederation of Shipbuilding and Engineering Unions is meeting, will again ask Leyland to examine alternatives to the closure of the Speke assembly plant.

One suggestion is the transfer of Allegro production from Leyland's factory at Senesse, Belgium, to *Merseyside.*

If the closure goes ahead, though, and is militantly resisted by even a minority of the Speke workers, Leyland's proposals to transfer TR7 production to *Coventry could be seriously dis*rupted.

The company therefore regards to-night's meeting with national union leaders as an important one.

● A ballot among the 5,000 foremen at British Leyland's 36 car factories favours joint talks with other staff unions on payments *for sickness, holidays, overtime* and shift working, as well as basic pay.

There was a majority of 412 for joint talks, 1,744 voting in favour and 1,332 against. Only 3 124 foremen returned their voting papers.

The ballot was organised by the foremen's union, the Association of Scientific, Technical and Managerial Staffs, following a request by the men. The result would now have to be accepted by them, the union said.

Some Oxford foremen are campaigning for separate negotiations on conditions.

Reinstatement demanded for Claridge's chef

THE GENERAL and Municipal Workers' Union yesterday demanded full reinstatement for the chef dismissed from Claridge's and union recognition in the hotel as striking staff continued to picket outside.

The union is asking its 12,500 members in London to support the strike by not crossing the picket line and by giving financial aid. Other unions will also be *asked for support.* The strikers said delivery drivers had agreed not to supply milk and eggs to the hotel.

Mr. Bruce George, Labour MP for Walsall South, *called for an* inquiry into the hotel and catering industry, claiming that its workers' wages and conditions were "Dickensian."

Forces 'need deal like firemen's'

A PAY SETTLEMENT for Britain's servicemen should not be "less generous" than that given to firemen, Mr. Callaghan has been told by Labour MPs.

The request to the Prime Minister has been made by Mr. Alan Lee Williams, MP for Hornchurch, who is chairman of the Parliamentary Party's defence group.

Mr. Williams said yesterday he felt that Mr. Callaghan wanted to see the servicemen obtain a good pay settlement. "The performance of the servicemen during the firemen's strike seemed to offer a good basis for comparison."

The firemen's settlement provided for a 10 per cent. rise from last November, a reduction in the working week from next November, giving qualified firemen about £15 a week more.

In the Commons last night Mr. Robert Boscawen, Conservative MP for Wells, said that low-paid servicemen needed a rise not of 10 per cent. but 50 per cent. to take them out of the poverty trap.

A 10 per cent. rise for a private married with two children on gross pay of £41.26 a week, would mean—even if his accommodation charge was *not increased—only* 81p more a week in his pocket because of loss of means-tested benefits.

Dock engineers' strike hits port

THE WEEK-OLD strike by 500 maintenance engineers at Southampton Docks is bringing the port to a halt. No container berths are in operation, and only wheeled freight can be dealt with.

The maintenance men are claiming parity with dockers at the port, but the employers say that their claim is well outside the Government's guidelines.

Nurses reject rises of from £3 to £10.41

BY OUR LABOUR STAFF

NURSES IN the National Union of Public Employees yesterday rejected the Government's latest pay offer, which would give increases ranging from £3 to £10.41 per week.

All the union's 13 area committees, covering 80,000 nursing members, voted to reject the deal. The union has almost 20 per cent. of Britain's 420,000 nurses and midwives.

Average earnings for a staff nurse after three years' training are the equivalent of £64.50 per week, and many earn less.

The deal offered increases ranging from £3 a week for a first year student nurse t[o] £10.41 a week for a principa[l] nursing officer.

The nurses want the increase divided more equally among a[ll] grades of staff.

Nurses and midwives, who be[lieve] that the nature of thei[r] work denies them the chance t[o] earn productivity payments th[e] Government's wages guideline[s] allow, also want compensato[ry] payments.

After the rejection, th[e] union's negotiators took pro[posals] for a re-shaped deal t[o] the staff side of the nurses an[d] midwives' Whitley Council.

Lloyds staff to discuss merger with ASTMS

BY NICK GARNETT, LABOUR STAFF

THE LLOYDS BANK staff association decided yesterday not to ignore the approaches made by the Association of Scientific, Technical and Managerial Staffs which is attempting to recruit members in the clearing banks.

Mr. John Bealey, general secretary of the staff association, was given a mandate by the policy-making committee to meet Mr. Clive Jenkins, ASTMS general secretary, if Mr. Jenkins *requests* a meeting to discuss possible merger proposals.

Mr. Bealey said the association was prepared to discuss any move that might bring some order into the confusion surrounding the banks' national negotiating machinery.

Mr. Jenkins has written twice in the last month to the Confederation of Bank Staff Associations, *the clearing banks staff associa*tions' umbrella body, suggesting a meeting and stating clearly that the union is looking for new "partners."

The TUC leadership is co[n]cerned about the possibility of [a] protracted *recruitment battle* [in] insurance and has quietly warne[d] ASTMS to stop recruiting i[n] banking, the traditional territo[ry] of the National Union of Ba[nk] Employees.

At least one of the other tw[o] associations in the confederatio[n], that of the National Westminste[r] has indicated that it would pref[er] to join ASTMS than NUBE [if] *there is no alternative to* merger.

The Lloyd's staff associatio[n] however, reaffirmed that it [is] *seeking one staff body for Lloy[ds] and the London clearing ban[ks]* as a whole.

Mr. Bealey said the associatio[n] would put all its effort into me[r]ger discussions with NUBE, pr[e]*liminary talks on which have a*[l]ready taken place. The first fo[r]mal meeting of the joint unio[n] staff association working part[y] will be on April 20.

Letters to the Editor

Transnational corporations

From Mr. B. Bolton.

Sir,—*Your editorial* and news item concerning attempts by the U.N. Centre on Transnational Corporations to encourage unified accounting system by multinationals (April 7) raised some intriguing issues.

Not the least of these is the apparent haste with which many international companies, some of which are well known for secretive attitudes, have sought to denigrate such a modest proposal. Your editorial assertion that the Organisation for European Co-operation and Development might be a more appropriate forum for discussions would, if accepted, justly increase the suspicion among underdeveloped countries that industrial nations not only have something to hide but are themselves afraid to challenge the growing autonomy of the TNC.

If there is one area in which there is a common interest among western trade *unionists* and the underdeveloped states it is the wing clipping of some of the more notorious TNC birds.

Perhaps this is why the ideas have received such a hostile reception.

B. Bolton.
Research Department,
Association of Professional,
Executive, Clerical and
Computer Staff,
22, Worple Road, S.W.19.

A result of women's lib

From Mr. M. Brook.

Sir,—I have read Eric Short's article on the new State pension sceme (April 6) and as a 54-year-old male I am, of course, more interested in pensions than some of the younger members of my sex.

Mr. Short says "because the feature — women qualifying for pension at 60—favours women it would appear to be acceptable to most people."

May I please pose the simple question: why? It is a proven fact that women draw their pensions longer, so why on earth should they qualify five years before men? These days one has *only to use one's eyes to see the* result of women's lib — flashy cars, clothes, paying their rounds in pubs, numbers of women leaving their husbands and, in many cases, children because they are financially independent. Why then should they be treated so much better than the men where pensions are concerned?

Most women in my circle agree *wholeheartedly that the age of* retirement should be equal. Presumably, therefore, the people *who are willing to accept that* women should continue to receive such a tremendous favour are the younger people whose retirement is so far away that they never even think of it.

If this assumption is correct, the Government should take more heed of older people's criticism on this subject. If it does not do so there could be a strong backlash against the new State scheme.

M. Brook.
34 Foxholes Lane,
Calverley, Pudsey, Yorkshire.

Motivation and salaries

From Mr. B. Lewis

Sir,—Mr. L. W. Wynn (April 4) is quite right that the performance and motivation of senior people will not suddenly improve by giving them an extra few thousand pounds a year. But what may be false in the short run may nevertheless turn out to be true in the long term, for we are dealing with the way people and their successors adapt, change and rise within their working environments over extended periods of time (40 years!). The *managing director* of 1990 may indeed be demotivated by his boss's poor salary to-day.

Changes in the rewards available at the top cannot have much impact on the present holders of those offices, but what is clear is that these rewards—which may have as much to do with power as money—do and ought to have a major impact on the up-and-coming generations, who will trim their sails according to the prevailing social and economic winds. They would not be *rational* if its was otherwise!

B. A. Lewis.
47 Woodlands Avenue,
New Malden, Surrey.

Travel to the Continent

From Mr. E. Loewy.

Sir,—There was a time when the most civilised and reliable way to travel between London and Paris and Brussels was via the night ferry. Air travel has eroded its market but, even now, this mode does not permit arrival in time for early morning meetings so that the dedicated faithful have continued to use the night ferry, *despite* its ageing stock and crude catering. Not many of these will remain loyal after a recent experience when, after a timely and "no hint of trouble" departure from Victoria, we arrived over *five hours* late in Brussels due, apparently, to delays at Dover and consequent route-linkage losses *on th[e]* SNCP and SNCB. For a one day meeting this made the trip largely—wasted.

It is difficult to see why passengers could not have been advised to seek other ways when they checked in at Victoria since British Rail must surely have known, from experience what would be the likely course of *events. Instead, in fact* worried friends, enquiring about the late arrival, were told by British Rail in London that the train had arrived in Brussels on time, greatly adding to the confusion.

E. Loewy.
120 Campden Hill Road, W.8.

Nationalised industries

From Mr. R. Cockell.

Sir,—It really is astoundin[g] that the debate over the contr[ol] of nationalised industries coul[d] still be going on after over 2[0] years on a completely meanin[g]less basis.

Whether nationalised busi[n]esses are supposed to make [a] return of 5 per cent. or 25 pe[r] cent. or to make a loss to b[e] subsidised by the state, matter[s] not one jot (apart from sho[rt] term effects on the cost of living) unless their prices are subject [to] effective and therefore short ter[m] *competition.*

I have just spent £1,000 on con[]verting my central heating from oil to gas, because the costs ha[ve] become so out of line due to th[e] fivefold increase in the price o[f] oil, but normally people have n[o] choice. They cannot do withou[t] electricity or the telephone an[d] it takes years before the genera[l] discontent is reflected in protest and action.

What is needed, above all, i[s] for each nationalised industry t[o] be compelled to produce five-yea[r] plans showing their assumption[s] about general inflation in cost[s] and prices, and the effect of thes[e] assumptions on their own cost[s] and prices and volume growth. These would only be adjusted with Parliamentary approval on a fundamental change *of* economic circumstances. Then their prices would be fixed on a basis geared to the general price level *after allowing for savings from greater output,* techno[]logical innovation and increased efficiency.

After this most of us would be quite happy if they made just enough profit to cover their debt servicing and investment needs, social costs being voted separately by Parliament where they could not be fairly recovered from the users.

Richard Cockell.
"Hedges," 13, Mayfield Road,
Weybridge, Surrey.

To-day's Events

GENERAL

Treasury issues details of *Central Government financial* transactions for March, including borrowing requirement.

TUC Economic Committee meets.

Governing body of International Energy Agency begins two-day meeting in Tokyo.

European Parliament in session, Luxembourg.

Rail pay talks resume.

President Ceaucescu of Romania begins three-day visit to Washington.

British Steel Corporation and TUC Steel Committee negotiate *on closure of Ebbw Vale steel*works.

Prime Minister opens National Federation of Women's Institutes' energy conference, Central Hall, Westminster.

Mrs. Margaret Thatcher, Opposition leader, addresses Federation of Conservative Students' conference, Loughborough University.

Mr. John Greenborough, CBI president, speaks at *British Paper* and Board Industry Federation dinner.

Annual meeting of National House Building Council.

PARLIAMENTARY BUSINESS

House of Commons: Budget debate continues.

House of Lords: Scotland Bill, committee. Motion to approve Farm Capital Grant (Variation) Scheme.

Select Committees: Nationalised Industries (sub-committee B). Subject: *Electricity supply industry* (reorganisation). Witnesses: Lord Plowden, Baroness Seear, Lord Kearton, Sir Alan Wilson and Mr. Frank Chapple (10.30 a.m., Room 8). Nationalised Industries (sub-committee C). Subject: Independent Broadcasting Authority. Witnesses: Local Radio Workshop Community Communications Group at 5 p.m. (4 p.m., Room 8). Overseas Development. Subject: Renegotiation of Lome Convention. Witnesses: Officials of Ministry of Agriculture, Fisheries and Food (4.30 p.m., *Room 6*). Science and Technology (Technological Innovation sub-committee). Subject: Transverse Flux Induction. Witnesses: British Steel Corporation (4.30 p.m., Room 15). Parliamentary Commissioner for Administration. Subject: Reports of the Commissioner. Witness: Mr. J. A. Atkinson, Second Permanent Secretary, Department of Health and Social Security (5 p.m., Room 7). Public Accounts. Subject: Appropriation Accounts. Witnesses: *Department of Energy;* U.K. Atomic Energy Authority (4 p.m., Room 16).

COMPANY RESULTS

Carpets International (full year). *Eagle Star Insurance* (full year). Empire Stores (Bradford) (full year). Glynwed (full year). Guardian Royal Exchange (full year). Wilmot Breeden Holdings (full year).

COMPANY MEETINGS

Gillett Bros., 65, Cornhill, E.C., 12.30. Provident Financial, Bradford, 12. Squirrel Horn, Alma Lodge Hotel, Stockport, 10.30.

هكذا من الأصل

DODGE COMMANDO G08

'The most reliable truck of its type I know.'

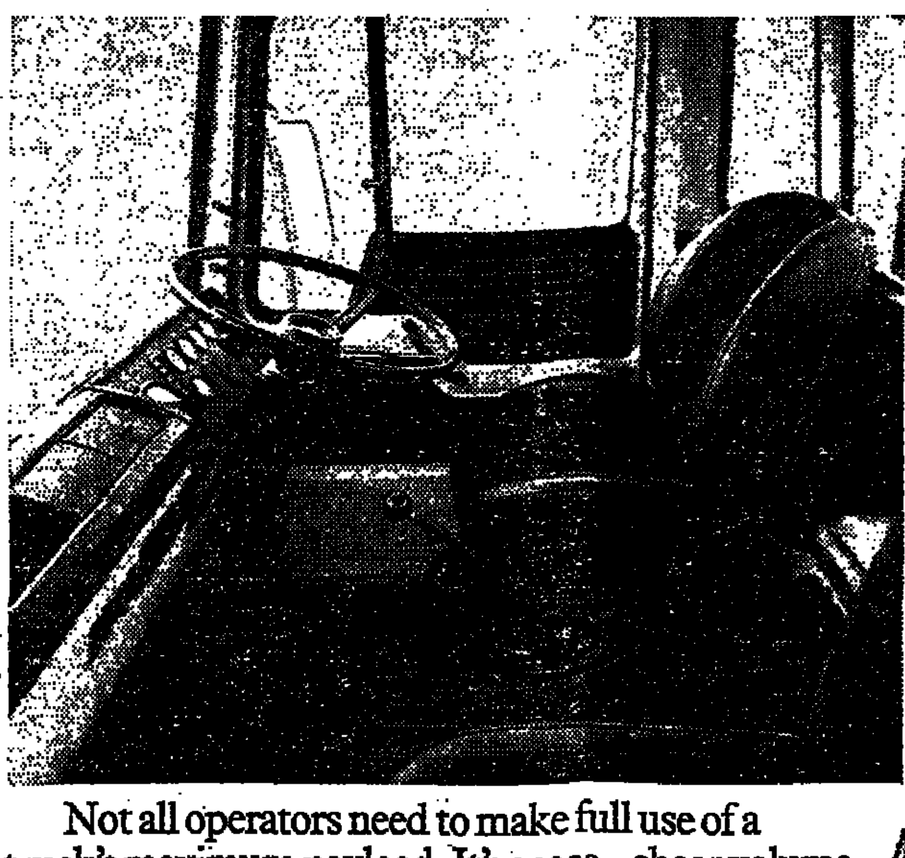
Lionel Tuson,
Group Transport Controller of Debenhams Limited, has this to say about the Dodge Commandos:

'We have over a hundred Dodge Commandos, about eighty of which are G08s. I chose them because they were the only 7.38 ton GVW trucks that met all our requirements and could accommodate a 1000 cu.ft. body without the need for chassis extensions.

'Since the introduction of Dodge Commando's, our operating costs have been reduced considerably. Their excellent reliability record is confirmed by the fact that time off-road has been reduced beyond all reasonable anticipation.

'We have over 90 operating centres which have to work to very tight budgets. Helped by the low maintenance costs of the Dodge Commandos, all have operated well within their targets.

'The Dodge Commandos have been good for Debenhams: apart from the fact that costs have been greatly reduced, the vehicles' smart, modern appearance reflects the company's image. And our drivers like them too. The cabs are well equipped and very comfortable.'



Not all operators need to make full use of a truck's maximum payload. It's space – sheer volume of carrying capacity – that they want from a non-HGV truck. And the Dodge Commando G08 gives them plenty.

As with all Dodge Commando rigids, the G08 offers a choice of wheelbases, driveline combinations and chassis options. The G08 wheelbases range from 120 inches to 159 inches.

Standard power unit is a Perkins 3.86 litre 4-cylinder diesel, developing an installed power of 77.5 bhp at 2,800 rpm. As an option, there's the Perkins 5.8 litre 6-cylinder diesel, with installed power of 101.7 bhp at 2,800 rpm. Naturally, there's a choice of gearboxes and axle ratios.

A very wide range of bodies can be fitted. The tilt cabs can be Hi-line or Lo-line, with a variety of features that enable you to have a cab that is right for you and your drivers.

All Dodge Commandos are backed by a comprehensive warranty package that covers the vehicle for 12 months' *unlimited mileage*. Full details about all Dodge Commandos are available from your Dodge Truck dealer.

Dodge Trucks

DODGEMANSHIP

Taking more care, to bring you better trucks and vans.

CHRYSLER
UNITED KINGDOM

Notice of Redemption

Rockwell International Corporation

(formerly North American Rockwell Overseas Corporation)

$7\frac{3}{4}$% Guaranteed Notes due 1979

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of May 1, 1972 under which the above described Notes were issued, First National City Bank, (now Citibank, N.A.) as Fiscal Agent, has drawn by lot, for redemption on May 1, 1978 through the operation of the sinking fund provided for in the said Fiscal Agency Agreement $2,765,000 principal amount of Notes of the said issue of the following distinctive numbers:

COUPON NOTES OF $1,000. PRINCIPAL AMOUNT OUTSTANDING

M 4	1224	2054	3415	4278	5148	6050	7006	7988	8906	9720	10455	11273	12033	12800	13518	14209
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
822	1825	2986	3968	4894	5759	6853	7547	8545	9460	10171	10964	11715	12547	13285	13964	14692
831	1828	2987	3972	4897	5764	6860	7548	8550	9461	10177	10965	11731	12550	13287	13965	14693
834	1831	2988	3974	4898	5765	6861	7552	8588	9466	10178	10969	11744	12554	13288	13969	14694
836	1833	2989	3976	4900	5779	6863	7553	8609	9477	10184	10981	11752	12561	13289	13971	14697
840	1842	2992	3977	4911	5790	6878	7558	8611	9497	10185	10985	11765	12567	13293	13981	14698
842	1853	2993	3982	4914	5798	6879	7560	8623	9500	10190	11003	11767	12568	13295	13991	14700
848	1855	2996	3983	4927	5805	6888	7565	8643	9512	10191	11016	11775	12569	13297	13999	14708
855	1858	2998	3985	4937	5807	6896	7568	8644	9513	10194	11025	11781	12570	13310	14001	14709
862	1862	3000	3986	4940	5808	6700	7572	8645	9515	10197	11028	11783	12581	13314	14002	14738
865	1866	3127	4062	4942	5810	6713	7574	8660	9516	10198	11032	11784	12586	13318	14004	14741
867	1875	3128	4064	4944	5819	6714	7575	8666	9517	10213	11044	11789	12589	13319	14008	14747
874	1876	3136	4065	4947	5827	6720	7577	8670	9520	10215	11062	11790	12590	13320	14009	14758
927	1878	3137	4066	4955	5842	6727	7579	8672	9522	10221	11065	11791	12591	13321	14015	14761
928	1885	3148	4070	4957	5846	6734	7580	8681	9524	10222	11069	11792	12598	13324	14022	14765
935	1890	3155	4072	4961	5848	6735	7581	8683	9526	10237	11072	11794	12610	13334	14028	14773
943	1905	3156	4076	4962	5851	6736	7582	8689	9529	10238	11081	11811	12617	13335	14029	14776
946	1907	3157	4077	4969	5852	6750	7584	8690	9530	10241	11084	11823	12618	13336	14034	14779
947	1914	3158	4086	4976	5859	6760	7643	8691	9531	10252	11085	11827	12622	13341	14036	14789
949	1920	3162	4090	4979	5868	6765	7649	8692	9532	10254	11089	11828	12627	13344	14038	14799
950	1923	3170	4091	4983	5873	6778	7650	8693	9533	10255	11099	11829	12637	13345	14043	14803
951	1926	3172	4092	4984	5876	6785	7653	8703	9534	10262	11101	11830	12638	13348	14045	14805
952	1928	3184	4093	4985	5880	6794	7674	8706	9536	10268	11106	11842	12643	13352	14047	14806
954	1930	3194	4094	4997	5881	6804	7683	8708	9537	10272	11108	11843	12649	13354	14051	14808
956	1934	3195	4100	4998	5882	6807	7687	8711	9543	10284	11110	11855	12653	13358	14054	14809
959	1941	3199	4109	5001	5885	6812	7697	8713	9548	10285	11113	11857	12660	13359	14058	14813
966	1942	3228	4119	5025	5887	6815	7704	8719	9557	10288	11116	11858	12661	13360	14065	14814
979	1951	3237	4120	5027	5890	6821	7705	8725	9570	10296	11121	11866	12663	13370	14067	14835
980	1959	3243	4129	5030	5894	6822	7707	8729	9583	10299	11131	11868	12664	13379	14068	14839
988	1960	3249	4134	5031	5895	6826	7708	8737	9585	10304	11139	11891	12674	13383	14071	14848
994	1963	3259	4141	5034	5899	6829	7714	8738	9587	10306	11140	11894	12675	13391	14072	14875
1020	1964	3260	4144	5037	5907	6837	7751	8740	9589	10313	11142	11908	12676	13393	14073	14877
1029	1971	3261	4150	5044	5912	6850	7760	8746	9600	10314	11149	11909	12683	13395	14074	14880
1045	1974	3267	4151	5046	5917	6854	7761	8747	9602	10316	11156	11925	12690	13400	14080	14882
1049	1984	3270	4152	5059	5919	6861	7824	8753	9610	10317	11159	11928	12695	13401	14101	14900
1061	1992	3273	4162	5061	5925	6878	7828	8766	9614	10323	11160	11932	12696	13409	14103	14901
1065	1997	3274	4163	5062	5929	6880	7835	8770	9616	10326	11163	11934	12701	13415	14104	14905
1066	1998	3275	4166	5068	5933	6883	7868	8771	9633	10336	11180	11935	12703	13422	14114	14907
1074	2002	3277	4167	5071	5934	6887	7870	8772	9634	10338	11185	11937	12704	13426	14120	14925
1079	2003	3278	4168	5077	5938	6891	7871	8776	9636	10339	11201	11944	12705	13434	14127	14931
1084	2006	3285	4170	5081	5939	6898	7878	8782	9639	10343	11202	11956	12710	13437	14131	14933
1090	2008	3287	4171	5086	5941	6899	7882	8785	9646	10349	11205	11957	12711	13438	14133	14935
1105	2009	3289	4173	5087	5942	6903	7904	8800	9648	10351	11206	11959	12713	13439	14140	14939
1106	2010	3290	4174	5089	5947	6904	7908	8803	9656	10366	11207	11960	12722	13447	14147	14940
1140	2013	3297	4184	5099	5953	6931	7909	8804	9660	10371	11208	11964	12723	13453	14160	14941
1154	2014	3299	4186	5102	5965	6932	7912	8805	9669	10380	11211	11972	12724	13458	14161	14947
1177	2020	3300	4192	5116	5969	6940	7913	8809	9677	10381	11221	11978	12730	13479	14162	14951
1179	2021	3336	4199	5124	5970	6964	7914	8829	9683	10388	11223	11981	12734	13481	14163	14956
1187	2023	3348	4204	5126	5975	6970	7921	8831	9687	10399	11232	11986	12737	13486	14164	14963
1189	2031	3349	4205	5129	5978	6971	7922	8849	9699	10401	11235	11987	12753	13488	14169	14966
1195	2032	3354	4235	5130	5988	6983	7924	8861	9700	10403	11244	11990	12757	13492	14170	14968
1197	2033	3356	4236	5136	5990	6986	7928	8878	9704	10404	11255	11992	12761	13502	14172	
1198	2034	3360	4243	5137	5991	6993	7942	8879	9708	10407	11257	11995	12768	13504	14197	
1203	2042	3402	4261	5138	6021	6995	7947	8887	9710	10424	11258	12013	12774	13505	14201	
1204	2048	3403	4262	5139	6032	6998	7951	8895	9711	10428	11265	12020	12783	13510	14203	
1209	2049	3412	4271	5141	6039	7004	7953	8900	9713	10441	11271	12026	12789	13512	14205	
1210	2053	3414	4276	5146	6047	7005	7961	8905	9715	10443	11272	12027	12796	13515	14208	

The Notes specified above, are to be redeemed for the said sinking fund at the **WCG-Agency Services of the Fiscal Agent, 111 Wall Street, 2nd Floor, New York, New York 10043** or at the main offices of Citibank in Amsterdam, Frankfurt/Main, London (Citibank House), Milan and Paris or Citibank (Belgium) S.A. or Kredietbank S.A. Luxembourgeoise, in Luxembourg, as the Company's paying agents, and will become due and payable on May 1, 1978 at the redemption price of 100 percent of the principal amount thereof plus accrued interest on said principal amount to such date. On and after such date, interest on the said Notes will cease to accrue.

The said Notes should be presented and surrendered at the offices set forth in the preceding paragraph on *the said date with all interest coupons maturing subsequent to the redemption date.* Coupons due May 1, 1978 should be detached and presented for payment in the usual manner.

For ROCKWELL INTERNATIONAL CORPORATION

By CITIBANK, N.A.,
Fiscal Agent

March 29, 1978

FINANCIAL TIMES

BRACKEN HOUSE, 10, CANNON STREET, LONDON EC4P 4BY
Telex: Editorial 886341/2, 883897 Advertisements: 885033 Telegrams: Finantimo, London PS4
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SUBSCRIPTIONS

Copies obtainable from newsagents and bookstalls worldwide or on regular subscription from Subscription Department, Financial Times, London.

APPOINTMENTS

Executive changes at Wiggins Teape

Mr. Patrick Best has been appointed a deputy chairman of *the* WIGGINS TEAPE GROUP and remains chief executive of the group's European operations. **Mr. Peter Gardner**, who relinquishes his executive responsibilities with the group at the end of this month to become principal of BAT Industries' group management centre, remains a deputy chairman of the Wiggins Teape Group. **Mr. Bill Hoath** succeeds Mr. Gardner as chairman of Wiggins Teape Limited and continues as chief executive of the group's U.K. operations.

★

Mr. M. E. White *has become* sole managing director of WYCOMBE MARSH PAPER *MILLS. Mr. P. D. M. Gell* has relinquished the position of joint managing director, but continues as chairman. The parent concern is Bunzl Pulp and Paper.

★

Mr. John L. K. Jessup has been appointed managing director of N. D. CLEMENT AND ASSOCIATES. He recently relinquished his directorship of Fenchurch Group Brokers.

★

Mr. Ted Hall has been appointed managing director of FRIGOSCANDIA and **Mr. Don Harness** and **Mr. Alan Oakes** have joined the Board.

★

Mr. R. E. Eades has retired as a director of CROUCH GROUP.

★

Mr. S. C. M. Hunt has terminated his position as *managing* director of TACE, by mutual agreement, because of ill-health. **Mr. R. E. Richardson** has joined the Board.

★

Mr. R. K. Holden *has resigned* as a director of BERWICK TIMPO.

★

Mr. P. Stubbs has *been* appointed to the Board of G. AND W. COLLINS.

★

Mr. L. L. Baumann has retired from the Board of BUNZL PULP AND PAPER.

★

Mrs. Nicky Harrison has been *elected chairman of the Education* Committee of the ASSOCIATION OF METROPOLITAN AUTHORI-*TIES*, succeeding *Mr. Peter* **Horton. Mr. David Dell** has become chairman of the Arts and Recreation Committee of the Association in place of **Mr. Ellis Hillman.**

★

Mr. Timothy Ryan has been elected a member of the Stock Exchange and has become associated with SABIN BACON WHITE AND CO., stockbrokers.

★

Dr. T. N. R. Marples has been appointed joint managing director of HARRISON (BIRMINGHAM) METALS, a member of the McKechnie Brothers group.

★

Mr. Reg Oliver, chairman and managing director of John Haddon and Co., is to become independent chairman of the joint industry committee for TELEVISION ADVERTISING RESEARCH in succession to **Mr. Peter Scruton.**

★

Mr. Stanley Orme has been appointed national director of the U.K. operations of ITW CORPORATION.

★

Mr. S. J. Borgen has been appointed managing director of ROYLES. *Mr.* **W. Gomersall** remains chairman and becomes divisional managing director of *the Fairbairn Lawson filtration* and fluid control division. **Mr. J. Robinson** has been made production *director of Royles, Mr.* **J. H. Holt** remains marketing director and **Mr. G. A. Royle** and **Mr. E.** *Critchley are now directors in* the filtration and fluid control division.

★

Mr. L. T. B. King has been appointed a director of NOLTON.

★

Mr. J. Paterson is to be company secretary and actuary of the LIFE ASSOCIATION OF SCOTLAND and **Mr. R. M. Paul** will become pensions manager from June 1. **Mr. D. W. C. Bell** retires as secretary and pensions manager at the end of May.

★

Mr. Cecil Dawson has retired as a director and secretary of WESTMINSTER PRESS and has been succeeded as secretary by *Mr. David Blacknell.*

★

Mr. W. Aynsley has been appointed commercial director of NEI PARSONS.

★

Mr. C. F. Mackenzie, previously sales manager, has now been appointed sales director of EME.

★

Mr. E. S. Bell *has* been appointed a vice-chairman, and **Mr. D. F. Hutt** has become *managing director* of AD INTERNATIONAL.

★

Mr. Fred Styles has been appointed chairman of the new part-time general committee of the ROYAL ARSENAL CO-OPERATIVE SOCIETY.

★

Mr. Peter G. Holmes has been appointed a director of the principal companies of the NORWICH UNION INSURANCE GROUP.

★

Mr. Donald Bardsley has been appointed executive deputy chairman of BANK JULIUS BAER INTERNATIONAL.

★

Mr. R. E. Blunt has been appointed divisional chief executive and **Dr. I. E. Kimberley** divisional director of the process engineering division of WGI. Within that division **Mr. H. Whitelaw** becomes managing director of United Kingdom Construction and Engineering in place of Mr. Blunt, and **Mr. G. Blackwell** and **Mr. M. J. Foster** join the board. **Mr. I. H. Gibson** has been made technical sales director, West's Pyro. In the civil engineering division **Mr. B. P. Harrington** is now *managing* director, West's Piling and Construction; **Mr. A. T. Stanmore**, managing director, West's Civil Engineering; **Mr. J. Woodhouse**, managing director, Westpile International; and **Mr. P. Merry**, a director of West's Piling and Construction. **Mr. P. F. G. Hutchins** remains chief executive of that division.

★

HARTLEY COOPER U.K. has been *formed* to transact the business previously handled by the U.K. non-marine division of Hartley Cooper and Company. Directors of the new company are **Mr. J. P. F. Ive** (chairman), **Mr. M. J. Grint** *(deputy chairman)*, **Mr. J. E. Jewiss** (managing), **Mr. H. S. Thomas**, **Mr. W. J. Errington** and **Mr. S. Flowers**. **Mr. C. E. R. Ledsam** is secretary.

★

Mr. Peter Ward, *personnel* director of UNION CARBIDE U.K. and BAKELITE XYLONITE, has *been appointed a member of the* executive Boards of those companies. The parent concern is *UNION CARBIDE CORPORATION*, U.S.

★

Mr. Huw Jermine has been appointed production director and **Mr. Neville Bayliss**, building director, of CONDER MIDLANDS.

★

Mr. Brian A. Smith will join the partnership of WOOD MACKENZIE AND CO., stockbrokers, on April 15.

★

Mr. Vernon Saunders has joined *CENTRE HOTELS as development* director.

★

Mr. Philip Samuel, a member of HM Inspectorate with the post of staff inspector dealing with further education, has been appointed as a part-time education consultant to the MANPOWER SERVICES COMMISSION.

★

Mr. Howard Jones has been appointed a director of ROWLINSON SECURITIES, an industrial and commercial development and investment company formed to manage the existing industrial *estates*, and to carry out new industrial development by Rowlinson Constructions Group. Other *directors of the new subsidiary* are **Mr. Peter Rowlinson**, chairman, and **Mr. Eric Shirt**, secretary.

★

The NATIONAL ECONOMIC DEVELOPMENT OFFICE has appointed **Mr. Stephen Gibbs** as chairman of a new Sector Working Party for the *Plastics* Processing Industry. Mr. Gibbs is deputy chairman of Turner and Newall.

Covent Garden partner sought by GLC

BY JOHN BRENNAN, PROPERTY CORRESPONDENT

THE Greater London Council is looking for a city financing partner to develop its Jubilee Market site in Covent Garden.

The Covent Garden Committee, which is directing the redevelopment of the former fruit and vegetable market in the centre of London's West End, has decided to go ahead with proposals for a mixed commercial and housing development on the 0.8-acre Jubilee Market site to the south of the Covent Garden Market Square.

It has already turned down two unsolicited approaches from hotel groups to build on the land, preferring an office or other commercial development that will finance homes for 80 to 190 people and a car park for 225 vehicles.

The market decision follows the committee's move to restore the central market buildings at a cost of £2m., and its proposals to restore the former Flower Market buildings, which will house London Transport's museum when completed in 1980.

Schemes for the extension of the Royal Opera House in Covent Garden are still under consideration.

Tomato price inquiry urged

MR. ROY HATTERSLEY, Secretary for Prices and Consumer Protection, is to be questioned in Parliament about the "exorbitant" price of tomatoes.

Mr. Tom Torney, Labour MP for Bradford South, has tabled a Commons question, urging the Minister to set up an *inquiry* to establish whether "undue profiteering" is going on.

Mr. Torney, a member of *Labour's Food and Agriculture* Committee, said: "Tomato prices have gone through the roof. Why should housewives be expected to pay 50p a pound or more?

"I appreciate that this is a seasonal food, but it seems scandalous that the price should be *so exorbitant, about twice* what it was this time last year."

Children gather aluminium scrap

A scheme in which Buckinghamshire children will collect scrap aluminium during the summer term will be launched to-day.

It has been organised by the *Aluminium Federation* and the Buckinghamshire Education Authority with the encouragement of the Government's National Anti-Waste Programme. It could set the standard for a national drive.

NOTICE OF REDEMPTION

To the Holders of

Amoco International Finance Corporation

8% *Guaranteed* Sterling Debentures Due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1972 under which the above described Debentures were issued, Morgan Guaranty Trust Company of New York, as Trustee, has selected for redemption on May 1, 1978, through operation of the sinking fund, at the principal amount thereof, *£1,000,000 principal amount of said Debentures. The serial* numbers of the Debentures so selected are as follows:

DEBENTURES OF £500 EACH

Q25	1064	2253	3246	4505	7456	8388	9427	10028	10715	11340	14024	15371	17281	17979	18827	19259
27	1067	2259	3259	4506	7457	8732	9437	10024	10717	11355	14027	15379	17287	17980	18634	19266
28	1074	2280	3261	4510	7458	8748	9451	10025	10722	11357	14069	15388	17293	17984	18635	19278
30	1081	2286	3266	4511	7459	8749	9452	10029	10724	11371	14074	15400	17306	17988	18639	19279
37	1086	2292	3270	4525	7461	8750	9457	10032	10726	11372	14075	15401	17318	17989	18640	19284
41	1095	2300	3272	4527	7466	8751	9464	10037	10738	11382	14083	15407	17319	17998	18644	19292
45	1108	2305	3283	4589	7467	8752	9465	10039	10745	11383	14087	15419	17323	18003	18647	19304
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
935	2143	3092	4134	7298	8810	9430	9970	10643	11274	13947	15023	17244	17913	18554	19185	19966
937	2145	3094	4200	7277	8836	9470	9980	10646	11282	13948	15026	17246	17914	18556	19195	19987
951	2175	3100	4209	7393	8344	9472	9983	10658	11290	13957	15027	17247	17921	18563	19201	19990
958	2185	3103	4210	7402	8349	9475	9986	10660	11295	13958	15146	17249	17923	18565	19208	19991
964	2196	3107	4211	7404	8352	9391	9990	10665	11296	13959	15148	17256	17927	18575	19209	19993
965	2197	3117	4233	7405	8384	9396	9991	10666	11299	13961	15155	17258	17930	18586	19215	19996
972	2208	3211	4234	7416	8366	9400	9992	10668	11300	13974	15158	17259	17938	18587	19241	
991	2209	3218	4251	7421	8372	9410	9995	10677	11320	13988	15238	17260	17940	18590	19244	
993	2213	3221	4259	7430	8374	9414	10009	10678	11321	13992	15237	17261	17959	18592	19245	
1037	2220	3225	4361	7431	8375	9416	10013	10681	11324	14003	15243	17272	17966	18607	19248	
1062	2224	3298	4364	7434	8379	9423	10014	10701	11326	14004	15361	17275	17968	18617	19254	
1063	2230	3237	4365	7441	8386	9426	10018	10705	11328	14005	15364	17277	17978	18619	19255	

On May 1, 1978, the Debentures designated above will become due and payable at 100% of the principal amount thereof (i) in such coin or currency of the United Kingdom as at the time of payment shall be legal tender for the payment of public and private debts (herein called "pounds sterling") or (ii) at the election of the holder of such Debenture, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts (herein called "U.S. dollars"). Such election to receive the Dollar Equivalent, as defined in the Indenture, is irrevocable and may be made only by the presentation and surrender of such Debenture, together with a completed Dollar Payment Notice substantially in the form set forth on the Debenture, at the office of one of the below listed paying agencies not later than April 19, 1978; provided, *that, notwithstanding any such election, the holder of such Debenture will receive* and accept payment in pounds sterling in the event that for any reason it is not possible for the Trustee to determine, in accordance with the terms of the Indenture, the Rate of Exchange, as defined in the Indenture, on the applicable date for such determination or otherwise effect a sale of pounds sterling.

Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either at the **Corporate Trust Office of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N. Y. 10015** or at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, *Paris or Zurich*, or at the main offices of Banca Vonwiller & C. S.p.A. in Milan or Rome, or the main office of Bank Mees & Hope N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourgeoise in Luxembourg. Payments will be made (i) in the case of any payment *to be made in pounds sterling by a check drawn on a pounds sterling account*, or by transfer to a pounds sterling account maintained by the payee, with a bank in London, subject in each case to any laws and regulations applicable thereto, and (ii) in the case of any payment to be made in U.S. dollars, at any agency outside New York City by a check drawn on a *U.S. dollar* account, or by transfer to a U.S. dollar account maintained by the payee, with a bank in New York City, subject in each case to any laws or regulations applicable thereto.

Coupons due May 1, 1978 should be detached and collected in the usual manner in accordance with and subject to the terms and conditions set forth above for the payment of Debentures.

From and after May 1, 1978, *interest* shall cease to accrue on the Debentures herein designated for redemption.

AMOCO INTERNATIONAL
FINANCE CORPORATION

Dated: March 29, 1978

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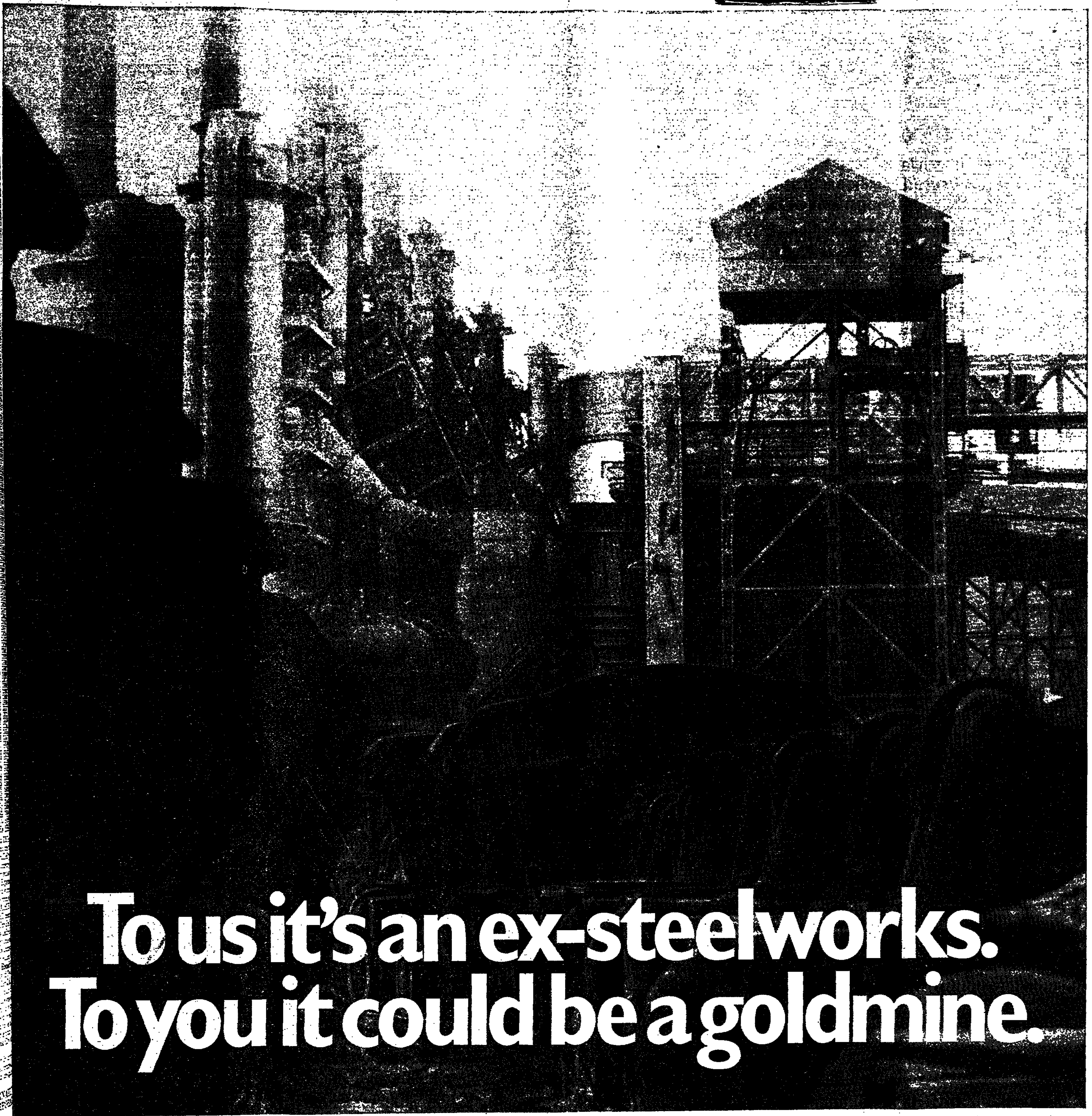


Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● HANDLING

Easier to get to the top

SIMON ENGINEERING'S own Jubilee celebration this year is the introduction of a hydraulic access platform designed to lift men and materials into overhead working positions more quickly and easily than former machines.

The CA 190, suitable for most vehicles of 10 tonnes, can reach a working height of just over 67 feet with a maximum safe working load of 585 lbs. It retains the articulated boom on which the versatility of the company's hydraulic platform is based, but the principle has been extended by a new compensator system with an action differing from previous practice in that both booms can be made to operate simultaneously rather than in sequence.

The working cage moves more rapily to working height than when the booms operate in sequence and the arc travelled by the cage is very close to being in a straight line, the action being much more direct than two-stage movement. Most advantages of telescopic equipment are offered without losing the benefits of articulation.

The side-by-side boom layout of the machine allows the working cage to be at a convenient height permitting the operator to mount from ground level.

"Simplicity and safety come first," says Denis Ashworth, technical director, adding that 70 per cent. of all orders are exported and it cannot be anticipated that machines are operated by a highly trained service force. Most operators will be semi-skilled, hence simplification and a high safety factor.

The CA 190 makes its international debut at the public works and building equipment exhibition at Le Bourget, Paris, May 19-27.

More from the company at Dudley, West Midlands DY1 2HA. 0384 70180.

Places load precisely

THE problems of taking a fork-lift truck into the interior of a container or trailer for loading up are simplified with a "mother and daughter" arrangement introduced by Cascade N.V. of Diemen in the Netherlands.

The "daughter" attachment has a maximum capacity of 2,000 kg at a load centre of 500 mm., allowing two vertically-stacked pallets to be loaded simultaneously. The driver does not have to leave his seat. He can direct the movement of the attachment, which runs on two tandem wheel castors and a treaded drive at the rear, from the truck's dashboard by means of a pair of "joystick" controls.

The attachment, called TR2, can reach a speed of 0.6 metres/sec. Control signals are transmitted to it through a cable on a self-winding reel fixed to one side of the truck's mast. Having deposited its load, the unit is reversed back to the truck and re-attached.

Four six volt batteries inside the attachment provide power for the controls, the drive motor and a hydraulic pump which operates steering lifting and lowering movements. More from Weesperstraat 110, P.O. Box 170, 1112 AP Diemen, The Netherlands.

● ELECTRONICS

Improves signals

DESIGNED for use with strain gauges and load cells used in full bridge configurations is a millivolt signal amplifier from Transducers (CEL).

Mains or battery powered, the unit provides a dc excitation voltage for the transducer or load cell array and provides the customary 0 to 10 mA, 4 to 20 mA, or voltage outputs of 0 to 2 or 0 to 10 V dc. Since the device measures only 200 x 160 x 100 mm and can be easily located close to the sensing elements, high level interference-free signals back to control panels or other equipment are assured.

The housing is a tough, cast aluminium box that is waterproof and thus suitable for hostile environments. Applications are likely to include offshore engineering and marine services, industrial weighing and blending systems, process engineering and alarm monitoring.

Known as DataSkan 9-6000, the amplifier has less than 0.1 per cent. fsd non-linearity, hysteresis and repeatability, a frequency response of dc to 100 Hz and an operating range of −10 to +55 deg C.

More on Reading 583033.

● INSTRUMENTS

Records the trace

DEVELOPED by Shackman Instruments is an oscilloscope camera, the model 7000, which gives an instant record of cathode ray tube displays and which is claimed by the company to be half the price of comparable existing equipment.

The camera is a development of the CR-9, of which several thousands have been sold since its introduction in the late 1960s. Apart from using modern production and moulding techniques, Shackman has employed an improved lens and shutter (eight speeds from one second and f3.5 lens).

Ten hoods are available for hand-held operation to suit almost any oscilloscope, enabling the camera to be moved from one instrument to another without dismantling and without interrupting work.

For permanent mounting a spacer body is fitted to the camera and matched to one of 60 custom-made adaptors covering 27 different makes of 'scope.

Quick loading Polaroid black and white film packs are used.

More from the company at Mineral Lane, Chesham HP 1NU, Bucks. (0240 4451).

Fast access recorder

INTRODUCED by Racal Thermionic is a tape recorder employing Philips pattern cassettes, specifically designed for fast access to various messages on the tape.

Called Callstore, it is particularly suitable for telecommunications centres where immediate replay of land line or radio emergency messages is a requirement. It might well be used as a fast access back-up to a normal long duration recorder.

The unit is activated by an incoming audio signal or by a contact closure. When the message ends or the contact opens, the machine stops and awaits the next signal. To repeat, the operator presses a button to return the tape to the start of the last message, when it will replay. In addition, each recorded message is indexed on the tape and given a number so that the operator can retrieve it at will.

The tape transport is 19-inch rack-mounted while a remote control can be up to 100 metres away in an operations room.

More from the company at Hardley Industrial Estate, Hythe, Southampton, Hampshire SO4 6ZH. (0703 848181.)

Sound level meters

NEW models of sound level and exposure meters have been put on the market by Ardente Industrial Services and by Castle Associates.

Ardente is offering the Pulsar Instruments 85E made in the U.S. This can measure levels between 85 and 114 dB and will at the same time (on an adjacent meter scale) show the permissible time of exposure to the level measured. Frequency response is 20 Hz to 10 kHz with "A" weighting and slow meter response in accordance with BS 3489 and IEC 123. Accuracy meets BS, IEC and ISO standards. An associated calibrator, Model 10, allows on the spot before and after calibration to meet industrial regulations. More on Windsor 63142.

The instrument from Castle Associates can be converted between industrial and precision grades by means of a range of plug-in microphones and signal processors. Known as the CS 182B, it has a total coverage of 20 to 150 dBA, with linear meter scale and 30 dB display range. By plugging in, for example, the CF 191B octave filter, the unit can be used to analyse the received noise in ten frequency bands extending from 31.5 Hz to 16 kHz. More on 0723 66348.

Transmits during maintenance

LOW-COST 10-channel radio communications for commercial and civil users is offered by Racal with its new "System 10."

This is designed for fixed, mobile or transportable HF communications systems where allocated frequencies are unchanged for long periods and where simplicity of use and maintenance are of prime importance. Main applications are seen in private networks, such as those used in offshore oil, civil engineering, and construction industries, and in civil services such as meteorological offices, ground-to-air and ship-to-shore services, international police networks and newspapers.

The equipment is designed for system reliability and is unique in its class in that the 1 kW transmitter is designed with active standby facilities. Should it be required to remove one RF power module for maintenance the transmitter will automatically continue to operate uninterrupted on half power.

Racal Communications, Western Road, Bracknell, Berks.

● AUTOMATION

Controller is simple to operate

PUT ON the market by Electroloid of Aylesbury is a "computerless" controller for machine or process control which is simple to operate and requires no special skills or equipment to program. Applications will be where the cost of a full scale computer cannot be justified.

The program is stored in a random access memory which can be erased at will and re-programmed as often as needed. Data is entered simply by depressing one or other of two keys in the same priority as shown on the written version of the flow chart, relay or logic diagram.

Variations to the main program can also be made and stored in the memory and selected subsequently by manual over-ride of the original program, or automatic switches, as and when required.

In this way programs can be repeated ad infinitum, repeated a set number of times, or modified to include special movements or actions without alteration to the original program. The company states that a number of machines can be controlled simultaneously, whether or not they are carrying out a different function. More on Aylesbury 82261.

● METALWORKING

Weld area stays clean

SECOMAK is offering a portable combined weld fume extractor and filtration unit which is compact, weighs under 50 lb and is robust enough to take the continuous running and hard use to be found in most welding environments.

Filters are of the two-stage high-efficiency type which will effectively absorb most commonly found welding fume and particulate matter at a very high level of filtration. The filters are patented and have been designed for easy change when new elements are necessary.

Secomak Air Products, Honeypot Lane, Stanmore, Middx.

● PERIPHERALS

Data entry simplified

TSI International has released KEY/MASTER, a program product for users of IBM's CICS system which eliminates user programming for most data entry applications and gives interactive definition of data formats and editing criteria, allowing lay personnel to design and test IBM 3270 display formats at the terminal and begin using them immediately.

The product provides a fail-safe database for storing entered data, plus ability to extract and reformat the data for subsequent processing. On-line facilities are also available to "page" through, verify and change data. The system can be installed in a few minutes.

KEY/MASTER requires approximately 32K of virtual or real storage and needs minimal processor resources, even with heavy use.

TSI, 19, Bedford Row, London WC1R 4EB. 01-405 7304.

● COMPUTING

Analysis on small machine

ASAS structural engineering package marketed by Atkins Computer Services for stress analysis on engineering structures previously run on very large computer systems because of its size, has been converted for use on a 256K Prime computer by consulting engineers Rendal Palmer and Tritton.

This is the first time ASAS has been converted for a mini-computer. This opens up a new market for engineering organisations with their own small machines.

Rendel Palmer and Tritton chose Prime because of its flexibility and cost effectiveness. The power of the Prime 400 became apparent during feasibility studies.

Conversion to the 400 took Rendel Palmer and Tritton eight man-weeks to complete.

More from the consultants on 01-928 8999.

● COMMUNICATIONS

Reliable transmitter

DEVELOPING 30 watts, a frequency-modulated fixed station transmitter, for base station use with mobiles, portables and pagers, has been released by Pye Telecommunications.

The T402 is of modular construction operating in bands in the frequency range 68-174 MHz. Single and up to six channel versions are available. Circuits are incorporated to protect the transmitter from antenna and feeder faults or excessive temperature rise, resulting in a very high degree of reliability.

In the event of the antenna becoming open or short circuited or the transmitter becoming overheated, the power is reduced automatically and remains at a safe level to prevent damage until normal conditions are restored.

Further from Pye Telecommunications at St. Andrews Road Cambridge CB4 1DP. Cambridge 61222.

● PROCESSING

Clean air compressor

IN CONTRAST to other types where the filters are installed externally, adding to the complexity of the installation, a new range of medium sized rotary screw compressors, introduced by Atlas Copco, incorporates the filters within the unit.

Based on the company's GA compressors, the Instrument Air Pack contains two Domnick Hunter filters complete with auto drains and a pressure differential gauge indicating when the filter elements need changing.

The compressors are suitable for blow moulding, spray painting, process control and instrumentation. Capacities range from 92 to 256 cubic feet per minute.

Atlas Copco, P.O. Box 79, Swallowdale Lane, Hemel Hempstead, Herts. HP2 7HA. 0442 61201.

Sucks away the oil

A FLOATING suction device, drawing oil into a separator, is the essential component of a small, self-contained separation unit, from Zimmite (U.K.), 34, Westminster Palace Gardens, London SW1P 1RL (222 6733).

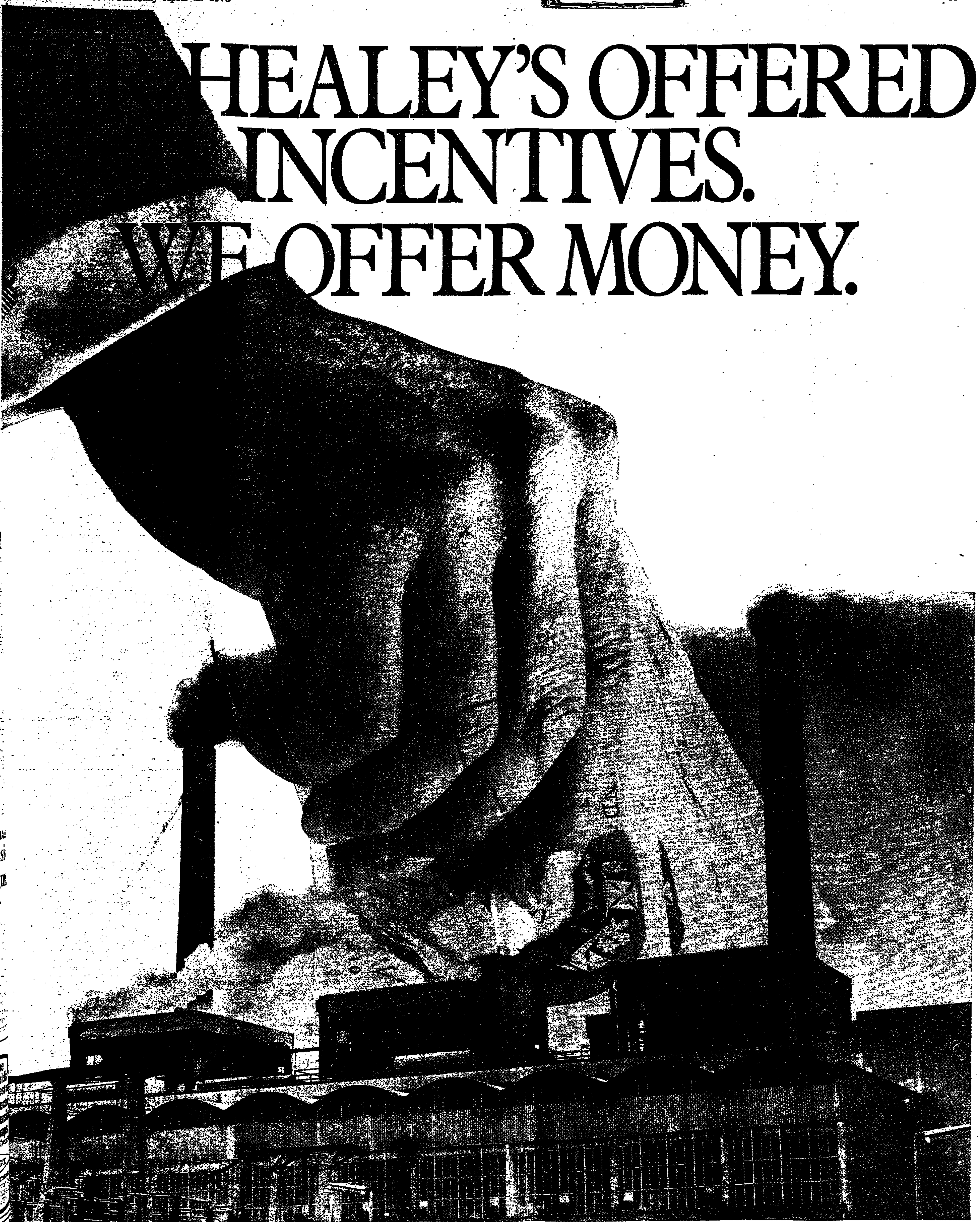
Made by Hyde Products (a division of Zimmite) the unit handles liquid systems containing 50 to 250 gallons, providing greater efficiency than with skimmer devices.

● MATERIALS

Expansion by pigment maker

FOSCOLOR, specialist pigment supply company and member of the Foseco Minsep Group, is planning a major expansion.

Due to pressure of demand on its Bickershaw Lane, Abram (Wigan) half-acre factory site a large extension to the existing building is to be set up, consisting of offices and laboratories of several thousand square feet, to release more space in the factory and increase production capacity.



Mr. Healey's done his best.

The man in the street has an extra few million pounds in his pocket.

And the Chancellor's hope is he'll spend it on British goods.

But that's only half the job.

Industry won't be able to produce those goods unless it gets direct help now to gear itself up.

Direct help is what Barclays are offering.

We have millions of pounds to buy plant, new stock, raw materials, new premises.

It will also buy this country an industrial growth rate that isn't the worst in Europe.

If you feel you can put some of this money to good use, contact your local bank manager.

Quickly.

Or if you prefer, write to Christopher Brockbank, Head of Corporate Business, Barclays Bank Ltd., 54 Lombard Street, London EC3P 3AH.

BARCLAYS

The Management Page

EDITED BY CHRISTOPHER LORENZ

Attacking race prejudice at work

THE guidance papers on the employment policies which companies should be adopting to avoid racial discrimination in the workplace are to be issued by the Commission for Racial Equality during the next few weeks.

The papers, which will be followed in about a year's time by a more formal code of practice, will present a range of suggestions to help ensure that all employees and potential employees have equal opportunities, regardless of ethnic origin.

They will identify a number of key areas—and key people—to which, and to whom, a company should give special attention to ensure that discrimination is avoided. The former will include recruitment advertising, allocation of duties, promotion and training, while the latter covers from personnel staff to receptionists and shop stewards.

Companies will be urged to allocate responsibility for equal opportunities policies to a specific member of management, and the importance of gaining the understanding and agreement of shop floor representatives will be stressed.

Perhaps more controversially, the Commission will recommend that managements check the progress of their equal opportunities efforts by keeping records of the ethnic origin of employees and job applicants. This is in line with the Commission's policy towards housing, education and other areas where discrimination might arise.

Many of the issues to be contained in the guidance papers were discussed during a recent conference on "The Problems of Supervising a Multi-Racial Workforce" held at the East Midlands Engineering Employers' Association management development and training centre. It was the first time that the association, which is actively involved in training issues, had arranged a conference on this subject, and some of the region's best-known employers — including T. I. Raleigh, Rolls-Royce and Thorn Lighting — were represented. Among the delegates were not only directors responsible for shaping personnel policies; but works managers and others who have the task of carrying them out.

Since effective communication is the key to so many successful industrial relations policies, one of the leading themes of the conference was the role of language. Some of the most basic problems involved in employing a large first-generation immigrant workforce, like the need for supervisors and shop floor to communicate through interpreters, are perhaps not always appreciated unless they have been experienced at first hand.

Delegates were introduced to the services of the Leicestershire Industrial Language Unit which, like similar units elsewhere in the country, offers companies a tailor-made functional language training programme for their employees. The unit director, Roger Munns, and his staff began with an investigation of the specific needs of a company, which would vary according to the ethnic background of employees, work processes and other factors, and prepared course material on the basis of this survey.

Previous experience, says Mr. Munns, has shown that language training is most likely to be required in such areas as coping with non-routine instructions, quality control, grievance procedures, social skills, health and safety and record keeping. As a back-up to its work among the immigrant workforce the unit also runs seminars for English staff to give them a better understanding of the social, cultural and religious backgrounds of their immigrant colleagues. These again are arranged with the particular needs of client companies in mind.

The unit lists a range of benefits which, it believes, could await companies which take a positive approach towards language training. These include a decrease in labour turnover, elimination of the need for interpreters, better record keeping, improved training potential, the possibility of increased production and greater job flexibility and a "general improvement of personnel and industrial relations."

A National Centre for Industrial Language Training, to assist the local units, has been established with funds from the Training Services Agency, and British Leyland, British Airways, Ford and Courtaulds are among the companies which have used the industrial language service since it was established.

Many of the issues raised during question time at the East Midlands Engineering Employers Association conference were concerned with more immediate day-to-day issues than with long-term language training—although Mr. Munns and his colleagues would argue that improved communication is the solution to many of them.

One of the most common complaints was about difficulties arising from the religious observances of many Asian employees.

There was, delegates were told, no universally-applicable solution and managements must make arrangements to suit their own particular needs. One piece of general advice to companies anxious to avoid discrimination was to forget that some of their employees were immigrant. "You do not have to bend over backwards for the black employee," said one speaker from the Commission. "The law simply says that you should treat people equally."

Alan Pike

ACCOUNTANCY

Are the Hyde proposals strictly for lemmings?

BY WILLIAM BAXTER

With inflation still running at just under ten per cent. per annum, and unlikely to drop very much over the next few years, the accounts published by companies remain seriously distorted. Real profits are not nearly as great as they appear to be, and the values at which many assets appear in balance sheets generally bear little relation to what they would cost to replace.

So the need for a generally accepted method of adjusting accounting for inflation is as urgent as ever, though the debate has subsided somewhat in recent months. This has followed the introduction of the Hyde guidelines, which call on quoted companies to publish three adjustments designed to give some indication of their real profitability. The guidelines are extremely flexible, and most companies which have reported since they were issued last November have not observed them.

At the same time work is still going on in Mr. *Douglas Morpeth's Inflation Accounting Steering* Group on the development of a longer term solution. Mr. Morpeth is thought to hope something can be produced before the end of the year.

By then feelings may have mellowed a little. And accountants and businessmen might be willing to have another go at getting an agreed standard. In this article William Baxter, the father of academic accounting in the U.K., the pioneer of inflation accounting, and formerly Professor of Accounting at the London School of Economics, argues against the path followed *in the Hyde guidelines.*

The Hyde proposals are much less bad than their predecessors. The improvement takes two forms:

1—Simplicity. The new proposals deal only with the one part of a company's report that inflation harms most—the profit and loss account. And they are restricted to first-aid: they do not attempt root-and-branch reform of the whole account, but merely add three extra figures in a supplementary statement.

2—Flexibility. The Hyde report is tentative in tone. It concedes that there are differing views on reform, and that experiment is still needed. So its *methods are "guidelines" only*: firms that want to try other cures are free to do so. Some accountants are protesting that a "standard" should not be so elastic; but, in our present ignorance, flexibility seems wise.

Two of the three proposed adjustments aim to make good the "time-lag" error, *that is*, the charging of low, out-of-date historical costs (HC) in the profit and loss account. They correct cost-of-sales and depreciation. (Why not also the costs *in any capital gain calculations*, which suffer from the same time-lag error?) Adjustment tackles *the fall in the value of* monetary items. All three bear some resemblance to the Brazilian system, which has worked smoothly since 1964.

When we try to correct HC charges, we must choose between two rival concepts of income, that is, between charges adjusted to either:

Current purchasing power (CPP). This maintains *real* capital—command over things-in-general—by using a general index factor; or

Current value (CV). This *maintains physical capital*, by using the individual replacement prices of each input, or specific indices.

Accountants started by backing CPP, but (unfortunately, in my view) then veered to CV. Hyde leaves the door ajar for all "appropriate methods" (which presumably include CPP), but favours CV.

The physical concept sounds plausible, because replacement cost is clearly the right test for another kind of calculation (costs in a manager's decision *budgets, when existing assets* will be used up).

But this does not make it *right for income measurement*. The value of productive assets lies in their ability to earn, and not simply in their physical attributes. Owners should judge that their capital is maintained, not if it still consists of the same number of tons or gallons, but if it will generate the same future earnings: and, when inflation distorts our measurements, real earnings (that is, ability to support the same standard of living) are what matters. Therefore adjustment should be based on CPP *(because this raises the charges* so as to maintain real capital), not CV. Moreover, CV may be harder than CPP to calculate, and easier to gerrymander.

If accounts ignore this truth, they will go wrong in all sorts of queer and perhaps unpredictable ways. The most obvious circumstances is when the inputs' prices fall (and, as we have found, even during inflation the raw materials market can sag, and technological improvement can cut machine prices).

Test this assertion with the Hyde reports example of stock in trade:

	Index	£
Opening stock ...	100	350
Average price ...	110	
Closing stock ...	120	540

The suggested adjustment is:

$$350 \times \frac{110-100}{100} = 35$$

$$540 \times \frac{120-110}{120} = 45$$

Total corrective charge 80

So here profit is cut by £80.

But suppose instead that the price of this stock falls back after mid-year, to its opening level (index 100); though closing stock is again £540. Its increase is now due only to physical expansion. What happens to the Hyde adjustment?

$$350 \times \frac{110-100}{100} = 35$$

$$540 \times \frac{100-110}{100} = (54)$$

Total correction (a credit): (19)

Here "correction" of the under-charges lowers them still further, and raises profit by £19 which is absurd.

So unless accountants con the financial and political worlds into accepting a heads-I-win-tails-you-lose variant of the Hyde rule, the reform will in some circumstances prove unacceptable. The reliable adjustments of CPP would be far better.

However, it is the proposals *for dealing with monetary* items that are likely to bring really serious trouble.

These *comprise* two very different methods, one for firms whose money assets exceed their liabilities, the other for the highly-geared firms whose liabilities exceed their money assets. The first method seems sound, the second bad.

Money assets (cash, debtors, etc.) lose purchasing power during inflation; and any respectable reform of income measurement should recognise this real loss. In times of stable prices, loss from bad debts provides an analogy; the two forms of loss call for much the same treatment. But how is the loss of purchasing power to be measured? Hyde tells us to use "an appropriate index." The most appropriate index is surely the one that best shows the *decline* of the pound in the owners' eyes, that is the general index.

The *Hyde* adjustment applies a straight-forward index factor to the whole of the net monetary *items. This seems the right* course, and a vast improvement on the Sandilands report. The *only doubt hinges on whether* the whole loss should be charged at once, or whether loss on any long-term items should—like fall in the value of land, etc.—be kept clear of current profit until realisation.

Next take the converse situation in which liabilities exceed money assets. One might reasonably expect the adjustment to be the mirror-image of that for excess assets: a general index factor would be applied to the net liabilities, and the result shown as a gain. Alas, the Hyde report suggests nothing of the sort. Its adjustment is a tortuous bit of pedantry that allows for only part of the gain, and acts indirectly by curtailing the time-lag adjustments (if any) for cost-of-sales and depreciation.

If, for instance, our firm was semi-bankrupt, and creditors agreed to cut their claim of say £40,000 by 25 per cent., we should have no doubt that our gain was £10,000. We can establish this point without the slightest need to think about charges for *depreciation* and cost-of-sales. There may be a case for postponing the gain's recognition till the liabilities are repaid; there is no case for dragging in machinery and stocks.

Similarly, if inflation cuts the burden of loan, the gain depends on the sizes of the loan and the inflation. The other adjustments have nothing to do with the case.

But the Hyde report would have us first revalue the assets; then calculate "the proportion of: (a) the net balance of monetary liabilities, to (b) the net balance of monetary liabilities *plus* the equity share capital and (revalued) reserves"; and then *apply this proportion to* the cost-of-sales and depreciation adjustments; and finally *credit the answer*.

Figures will illustrate these convolutions. In the table, column (1) gives ordinary accounts (2) and (3) reformed versions. (1) shows assets of £120, net liabilities £40, and equity £80; uncorrected profit is £55. Suppose suitable time-lag adjustments amount to £15; this is deducted in (2) and (3).

Suppose further that inflation has nibbled away the £'s value by 25 per cent. The proprietors' gain from owing £40 is £10, so common-sense column (2) adds £10 to profit; (3) looks instead to the earlier adjustment of £15.

The proportion of net liabilities to non-money assets is 40:120; so the gearing adjustment is cut to

$$\frac{40 \times 15}{120} = £5$$

The method of (3) is not only gimcrack in principle but laborious and open to window-dressing. It will lead to many anomalies: thus it must understate gearing gain in firms whose time-lag adjustments are *small, for example*, property *companies*, investment trusts and insurance offices. The gain will *look high in firms* whose depreciation is based on old costs, and low in firms (otherwise identical) with new machines.

The method's attraction is that it is conservative: the time-lag adjustments clap a low roof on to the gearing gain. This rules out the misleadingly high profits that crude CPP gives to some highly geared companies *(for example, Grand Metropolitan)*. But conservatism could be achieved more realistically by *postponing full recognition of* gain on long-term liabilities till repayment (and then treating it as an extraordinary item).

We must hope that companies will take advantage of the *report's flexibility*, and use its permitted alternatives rather than its favoured methods. The latter will produce indefensible statistics, and will discredit accounting disastrously. Influential backers of the Hyde report bid us cease carping, close ranks, and advance in unity. Maybe lemmings say the same as they near the cliff-edge.

POSSIBLE GEARING ADJUSTMENTS

	(1) No adjustment £	(2) Common sense adjustment £	(3) Hyde adjustment £
Balance sheet			
Plant and stock	120	as (1)	as (1)
Net liabilities	40		
Equity	80		
	120		
Profit and loss account			
Profit	55	55	55
Time-lag adjustments			
Cost of sales		9	9
Depreciation		6	6
		15	15
		40	40
Gearing adjustment		10	5
	55	50	45

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Penthouse permission

We hold a lease in central London of which 950 years are still to run at a peppercorn ground rent. We want to put a penthouse on the top floor of the building. The freeholders are withholding permission because of potential damage to their reversion. Can they withhold permission? What possible damage can there be to a *reversion in 950 years' time?*

While we can only advise tentatively in the absence of full particulars of the covenants in the lease, you should be able to rely on Section 19(2) of the Landlord and Tenant Act 1927 to enable you to carry out the proposed works even if the landlords refuse consent if (a) the *proposed works constitute improvements* and (b) the works are reasonable works for that property.

You can dispose of the claim that there is damage to the reversion by offering an undertaking to reinstate at the end of the term. It would be wise to consult a solicitor.

Money owed

A finance company has two directors, one of whom controls it. Both directors have made loans to the company and in 1974 the controlling director made a further loan in the *form of Stock Exchange securities* deposited with a merchant bank against which the company could draw. By last year the overdraft had been paid off but no money was left in the company except the aforementioned shares. As regards the money owed to the other director, has he any claim on *these shares?*

We cannot advise fully without knowing the full details of *each loan transaction* and of the arrangement with the merchant bank. It seems, however, that the director who did not make the share deposit has no claim on the shares, nor would the company have such a claim. The shares were merely used as a means of controlling shareholder's raising money to *lend* to the company, and it is only the cash lent to the company which can be *considered* in settling accounts between the parties.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE BUDGET SPEECH

Paying our debts • Boosting industry's effort

IN HIS tax-cutting Budget yesterday Mr. Denis Healey, Chancellor of the Exchequer, said he believed that his measures could encourage further moderation in pay settlements and a continuing fall in the rate of inflation. He stressed that special importance had been accorded to the needs of smaller businesses.

Mr. Healey said that the whole of the industrial world had found the past four years by far the most difficult since the war. The enormous increase in oil prices an dthe reaction to it of the ndustrial countries had plunged he world into the deepest and nost prolonged recession since he Thirties combined with an inprecedented inflation.

"The period has been particularly difficult for us in Britain because we entered it with our economy badly out of balance, a rowing deficit on our current account and severe inflationary pressures.

"Four years of painful and lifficult decisions have now got he economy into much better balance. Our current account has noved into surplus. Our financial position has been transformed. The year on year rate of inflation s well into single figures and till falling. Interest rates are ar below the level of four years go. The money supply is under rm control and we have exceptionally high reserves.

"All this is reflected in the act that the fourth quarter of ast year saw a rise of nearly 5 er cent. in real personal income fter tax and national insurance —the biggest quarterly rise for early six years.

"But this transformation in ur financial situation has not et been reflected in an adequate rowth of output. In consequence, nemployment remains intolerbly high, though it has been illing slowly since September. is the first purpose of this udget to encourage a level of onomic activity sufficient to get nemployment moving significntly down. But like all other ountries—and more than most - we cannot isolate ourselves om the rest of the world. And ere the outlook still leaves much be desired.

Two years ago it looked as if e industrialised world was nerging from the severe conaction of activity which llowed the increase in oil ices. But that recovery proved ore sluggish than expected. 1977 as a disappointing year for arly all the world. Economic owth in the OECD area was ll below the average rate tained in the 1960s.

Little growth in economy

"World trade in manuctures increased only 3½ per nt. compared with 9½ per cent. 1976. Although, with an rease of 8 per cent. in the lume of our manufactured ports, we increased our share world trade in general as ll as in manufactures, there s very little growth in our onomy during 1977.

"The problems created by the w growth rate of the world onomy have been made worse the big payments imbalances tween the oil-consuming ntries. Some oil-producing ntries cannot in the short n eliminate their surpluses ough trade, so the oil conners as a group face a corrending deficit. The total rrent deficit of the OECD ntries rose to around $30bn. 1977. But this total includes arge increase in the deficit of United States and a large rease in the surplus of Japan. One reason for these dispari is that other strong ntries have been slow to low the expansionary lead of United States. These imances are at the root of the rency instability of the last months which is itself a ther threat to world growth. If we are to solve this ntry's problems we need to e action on a world scale. No gle country can lead the ld out of its difficulties. In d no single country can by lf solve even its own probs.

My Rt. Hon. Friend the Prime ister and the President of United States, recognised fact when they met at Easter discuss a programme for conted action, designed to attack ultaneously all the five jor problems which are now naging the world economy— growth, currency instability, trend towards protectionism, r-dependence on imported rgy and inadequate flows of le long term capital and aid n the surplus countries to ntries in deficit, including y on the developing world.

Contribution o effort

Heads of Government of the n leading world economies ounced yesterday their agreet to develop their policies so to promote a concerted roach to this group of probs in the months leading up he Bonn summit meeting in . The European Council ed on Saturday to work with rmination for the higher nomic growth that this roach requires.

This Budget represents a ish contribution towards that mon effort as well as meeting national needs.

etween 1973 and the middle ast year we borrowed large s overseas to meet the conences of the oil price ease and the deterioration ur terms of trade.

Most of these loans have to epaid in the six years from to 1984. As we moved into nce of payments surplus rebuilt our reserves last mn, the Government was to start tackling this hump lebt. It then stood at over n.

t would not be sensible to to pay off the whole of this from current account surpluses earned over the next six or seven years.

"That would add to the problem of current account imbalances in the world, and it would not be consistent with the need to expand our own economy.

"The Government's aim is therefore to combine net repayment of debt year by year, with new borrowing to spread the maturities.

Repayment early

"As part of this policy we are now repaying large amounts of debt ahead of time. In January I announced the prepayment of $1bn. of our drawings from the International Monetary Fund. Arrangements for this payment have recently been completed.

"I can now announce that I shall be arranging to prepay a further $1bn. to the Fund this year. This further step is made possible by our own improved position and we hope it will assist the IMF to help other countries. *This should* be a useful contribution to the concerted approach to world problems to which we have committed ourselves.

In addition to these IMF prepayments, we have since October repaid or arranged to repay ahead of time $1½n. of private market debt.

"Thus our repayments ahead of time, made or already planned, now total $3bn. We shall also repay a further $1bn. in 1978 on the due dates as other debt matures in the ordinary way.

"The other part of our policy is to make progress with new borrowing. Since last October we have contracted new loans totalling about $630m. from the European Investment Bank and the European Coal and Steel Community.

New York bond issue

"In addition, I can now tell the House that we propose to make a British Government bond issue in the New York market. The issue will be for a total of $350m. in two tranches of seven and 15 years respectively. Thus it will mature well after the hump of existing maturities. The U.S. rating agencies have said they will rate such an issue triple A, the highest credit rating they can award.

"I believe that by spreading the burden of debt repayment forwards and backwards in this way we can ensure that it does not unduly restrict our ability to expand our economy and to make an appropriate contribution to world growth."

Mr. Healey said that the main objective in the coming years, *like that of other countries, must* be to reduce the intolerable levels of unemployment by stimulating demand in ways which created jobs at home without refuelling inflation.

"The temporary employment subsidy and other special employment measures which have now been in operation for three years are already providing 320,000 jobs or training places. My right honourable friend, the Secretary for Employment (Mr. Booth) announced a powerful reinforcement to these measures on March 15 which should increase this figure to 400,000 by March next year.

"I believe that in a period of world recession such measures bring immense human and social benefits. Although the number of men and women available for work has been increasing by 170,000 a year, unemployment has been falling slowly for the last six months and job vacancies have been rising.

"But we cannot expect to see the rate of unemployment moving down at an acceptable speed unless we can create new jobs, particularly in profitable firms in manufacturing industry and so strengthen the industrial base on which our whole economy depends.

October measures

"A Budget stimulus by itself will not necessarily achieve this. Unless British industry can produce and sell the goods required to meet the demand created by any Budget stimulus, that increase in demand will be met by imports and set inflation going again. It will create jobs in other countries rather than our own. After some years in which the level of investment has been lower than normal it is not easy to judge the point at which a demand stimulus may prove self-defeating for this reason both in terms of jobs and prices.

"Two things are clear. The key to growth and high employment must lie in an improvement in our industrial performance.

"We must design this Budget like the measures last October, as part of a programme for steady and sustained growth which must cover a period of many years.

Improving industry

The Chancellor continued: "If the bulk of the additional demand created by this Budget is to be met by British goods then we must make sure that the products of our industry are more competitive in terms of design, delivery and price.

"An improvement in these fields is the prime objective of the tripartite Industrial Strategy to which the Government, the TUC and the CBI committed themselves afresh last month when they approved the programmes of the Sector Working Parties for this year.

"Our main job now is to carry the industrial strategy down to managers and workers in individual companies and plants throughout the country.

"I hope the whole House will endorse these efforts. The future of our economy lies ultimately in the hands of those who work in British industry," Mr. Healey said.

"*If* industry is to become more competitive and unemployment is to fall, we need better product design, better marketing, more efficient use of plant and materials and more investment in new capacity.

"The main responsibility must fall on management and workforce in the individual firms and plants. But Government has a responsibility for providing an environment which encourages their work.

"The Government will therefore continue to support the Industrial Strategy through industrial assistance, training schemes and the National Enterprise Board and by helping to provide a favourable economic climate.

"Moreover, we are now giving industry priority across the whole range of Government policies, for example in education and local planning."

The small business

Mr. Healey went on: "I believe that small businesses have a special role in improving our industrial performance. They have always been a prime source of innovation in British industry.

"The development of small businesses often produces more additional jobs more quickly than development in the larger firms.

"They can also play a vital role in regenerating our inner cities and our countryside. For this reason, this Budget will give a special importance to the needs of smaller businesses.

"Now that our economy is in so much better balance and our financial situation is transformed, an improvement in our industrial performance must be our overriding objective since this is a precondition for restoring high employment.

"But this improvement is bound to take time. To the extent that our performance falls short in design, delivery and productivity of that of our competitors, we will have to concentrate on making ourselves competitive in price.

Debt to the unions

"It remains as true as ever that inflation is the main enemy of full employment. Monetary policy will be a decisive factor here. But our price competitiveness will also depend crucially on reducing industrial costs, of which wages are bound to remain much the most important element.

"Over the last three years, overwhelming public support for pay policy has played an indispensable role in keeping our industry competitive and in bringing the rate of inflation down. The country owes a lasting debt to our trade union movement for its invaluable contribution here.

"The Government can help to support commonsense and moderation in pay negotiations both by controlling prices and avoiding unnecessary increases in indirect taxation, and by cutting income tax.

"But the main responsibility here again must continue to lie with the trade unions and employers who negotiate on pay.

Margin for error

"In deciding how much stimulus I can afford to give the economy this year, I have to make a judgment about the rate at which our industry can increase its output to meet the consequent demand and about the competitiveness of the goods it produces," the Chancellor said.

"I must also consider the likely development of the economy over the next year or so if I take no further action at all in this Budget.

"These are all *difficult* questions of judgment on which the margin for error is uncomfortably large. Economics is about the behaviour of human beings—the most unpredictable of all creatures. It is a useful tool of policy but still far from being an exact science—if it is a science at all.

"As I have warned the House on many occasions, economic forecasts like weather forecasts become increasingly unreliable as they look further ahead, particularly if precise figures are attached to them—as must be the case, for example, with the forecasts which the House has instructed me to provide. But some trends are fairly clear.

"Now that the inflation rate is stabilising at a level well below the increase in earnings, living *standards and personal consumption* should both rise substantially.

"Private investment in manufacturing industry, which rose about 14 per cent. in volume last year, is expected to show a similar increase this year. Public expenditure on goods and services is planned to rise significantly.

"It is more difficult to forecast how our trade performance will develop since assumptions about our competitiveness are crucial here. But it is reasonable to expect that exports will continue to increase substantially, though higher domestic demand would probably lead to faster growth in our imports of manufactures.

"This leads me to conclude that without any stimulus from the present Budget the economy might grow in the coming year by 2 to 2½ per cent., if as is still the case we make these calculations at the prices which ruled in 1970.

"If, on the other hand, we value the contribution of North Sea oil at the relative prices of 1975, which we plan to do for all National Income statistics later this year, then the increase in oil production would, of itself, add a further ¾ per cent. to our growth rate.

"Against this broad estimate of the likely growth in the economy without a Budget stimulus, the increase in demand which I can afford to generate this year depends critically on the outlook for inflation.

"This in turn will depend primarily on two factors—our monetary policy over the next 12 months and the outlook for wage costs. So far as the immediate future is concerned the outlook is now firmly established and our success is evident in the figures already available.

> **'If we are to solve this country's problems, we need to take action on a world scale. No single country can solve even its own problems . . . .'**

Inflation rate

"Our year on year inflation rate reached single figures in January—months earlier than we predicted last November. Over the past 10 months the month to month increase in inflation has been running at an annual level below 8 per cent.

"The year on year inflation rate is likely to reach 7 per cent. in spring or early summer. Unless there is some quite unfore*seeable catastrophe it seems* likely to remain fairly steady at around 7 per cent. for the rest of this year—at about the average rate for most industrial countries and lower than some of our competitors whose inflation rate has been rising rather than falling in recent months.

"If we are to be sure of maintaining at least this level in 1979 then we must have appropriate policies for dealing both with the money supply and with pay and prices.

"Monetary policy will continue to play a central role in our *attack on inflation*. The money supply figures for banking March will not be published until Thursday, but I think it is right on this occasion to tell the House in advance that sterling M3 grew in March by only one half per cent. and M1 slightly less. This confirms that the trend of monetary growth has come back into the desired range, as I predicted after the exceptional but expected jump in January.

"The figure for 1977-78 as a whole will probably be just above the 9 to 13 per cent. range but under 14 per cent. But this was a year in which the money supply in Britain, as in Germany, was substantially increased by inflows of foreign currency—a factor which we took action to correct last October.

Monetary targets

"For the coming year 1978-79, I intend to continue using monetary targets, with certain changes. Over the past year, as we have moved into surplus on our balance of payments, greater attention has rightly focussed on sterling M3, the wider measure of money supply, rather than DCE, domestic credit expansion. It is right to recognise this by making a target range for sterling M3 the focus of our monetary policy.

"I also intend to adopt a system of rolling targets in which the target is rolled forward once every six months. This will enable me regularly to reassess progress on the monetary front in relation to developments in the rest of the economy, and either to continue with the existing target range or to modify it.

"For example, if events have moved as I would hope on counter-inflation policy, it would be appropriate to consider in the autumn whether to reduce it.

"The target range for sterling M3 for 1978-79 will be 8 to 12 per cent. *The corresponding* level of DCE will be below the £6bn. which was set out in the letter of intent I wrote to the International Monetary Fund in 1976. This will provide both for a reduction in the rate of inflation and for an increase in economic growth. It should provide ample room for the likely increase in bank lending to industry.

"In Britain, as elsewhere, the rate of growth of the money supply is bound to fluctuate significantly from month to month. As alst year, it is likely to be significantly above or below the desired range from time to time.

Low interest rates

"Insofar as it is possible now to identify the sort of factors which may cause such fluctuations, I would expect the growth to be higher at some stages in the first half of the year than in the year as a whole. In particular, the timing of central Government receipts and payments may cause jumps in certain *months* such as banking May similar to that which we had in January this year.

"I will of course use whatever instruments of monetary policy are appropriate as the year proceeds. I would hope that gilt-edged interest rates will fall later in the year as it becomes clear that we are making further progress in the fight against inflation.

"At the moment, however, sterling short-term interest rates are on the low side, both in relation to controlling the domestic money supply and by comparison with U.S. and Euro-dollar rates given recent developments in the exchange markets. With my approval, therefore, the Bank of England are this afternoon raising their minimum lending rate from 6½ to 7½ per cent."

Mr. Healey said: "Within the framework of this monetary policy, we must also do our best to ensure that rising prices and earnings do not make our industry uncompetitive.

"This will require co-operation from employers and trade unions alike. We must start with a collective determination to ensure that we do not allow the rate of inflation to begin rising again *from the levels we expect* to reach this summer. On the contrary, we must aim at a further fall.

This will not be easy to achieve. Over the last 12 months we have been helped in getting the rate of inflation down by the appreciation of our currency and by the fall in world prices which accompanied the fall in world growth and trade. We cannot rely on similar assistance in the next 12 months.

"That is why the forecast in this year's PSBR (Public Services Borrowing Requirement) shows an increase of 1 per cent. in the inflation rate by the middle of 1979 even assuming that earnings increase only half as much in the next pay round as is likely in this round.

"Earnings in fact will be the *key to the inflation rate next* year. Although earnings have increased in the current round far less than most observers expected a few months ago, they are still growing faster in Britain than in most of the countries which compete with us, and our productivity is growing more slowly.

"So we shall be unable to prevent our rate of inflation from rising significantly next year unless we can achieve much lower levels of increase in wage costs than we have achieved this year.

"If we fail to achieve this, then, whatever the size of the stimulus I give to the economy in this Budget, we cannot expect to keep control of prices, or to see the faster fall in unemployment at which we aim.

"I therefore propose early discussions with the representatives of both sides of industry to see, first, whether they agree with the Government that we must keep inflation moving down next year and second, what policies are appropriate both in the field of prices and of earnings to ensure that we achieve this objective.

Boosting the pay packet

"I believe that the success we have achieved in fighting inflation over the last few years both through our control of the monetary aggregates and through our policy for pay and prices provides reasonable grounds for confidence that we can continue to make progress in the fight against inflation in the next 12 months.

"It is on this assumption that I have made my judgment about the size of the stimulus which I can deliver to the economy this year. The total size of the stimulus must, however, depend not only on the assumptions about inflation but also on the nature of the stimulus itself.

"It can be larger to the extent that it is clearly designed to improve our industrial performance and to strengthen our prospects of success in the fight against inflation.

"The objective of the measures in my Budget to-day is to provide additional support for our industrial strategy partly in the form of direct help for business, particularly for small *firms, and partly by strengthening* the incentive to effort at all levels in industry through cuts in income-tax.

"I also believe that by using tax cuts to increase the real value of the pay packet during the coming year I can encourage further moderation in pay settlements and a continuing fall in the rate of inflation.

"I recognise too that if the Budget measures are to generate the support of working people for the nation's economic objectives they must also contribute directly towards the relief of poverty, to the fight against unemployment, to the improvement of our social services and to the achievement of a more compassionate and fair society.

"The measures I am about to describe are designed specifically to achieve these objectives. I have, therefore, concluded that it would be right to give a full year stimulus to the economy of some £2½bn.—or about £2bn. in 1978-79.

"The measures should raise output by another ¾ per cent. in the next 12 months and as a result GDP (Gross Domestic Product) should increase by about 3 per cent. at 1970 prices —the highest increase for five years. I am satisfied that this can be done without either prejudicing our monetary objectives and refuelling inflation or overstraining our productive capacity.

"As a result of this Budget stimulus the PSBR this year will be within the ceiling I set in my letter to the International Monetary Fund last December. The forecast shows a PSBR of £8½bn. or 5½ per cent. of GDP, reflecting a General Government financial deficit which at 4 per cent. of GDP would be no higher than that for example of Germany.

"In fact, the PSBR for 1977-78 as forecast in last year's Budget was exactly the same as the current forecast for 1978/79—£8½bn.

Less need to sell gilts

The estimated outturn for last year, however, is now £5.7bn.—nearly £3bn. lower despite additional cuts in taxation during the year. Of all the elements in the forecast the PSBR is the most difficult to get right.

"But even if this year's PSBR is as high as forecast the higher level of government debt needed to finance it will be counter balanced by the reduced need to sell gilts to offset the domestic effects of inflows across the exchanges, which were very substantial in the past financial year.

"The funding of the PSBR outside the banking system will be helped by direct sales of Certificates of Tax Deposit, mainly to companies, and of National Savings to individuals.

"A new issue of savings certificate is announced to-day, with a yield of just under 6.8 per cent. per annum over its four year life, and a maximum holding for any one saver of £2,000. This will mean that the forecast requirement for gilt sales will probably *be much the same in money* terms as the sales achieved in the last two years, and somewhat smaller in relation to the institutional funds which are likely to be available.

"Thus I foresee no difficulty in financing the PSBR for 1978-79 consistently with the new monetary guideline of 8 to 12 per cent.

Rise in value of pensions

"Last October I announced an increase in our plans for public expenditure in 1978-79 of £1bn. at 1977 survey prices, including £400m. on construction and over £300m. on raising the rate of child benefit to £2.30 from this month. These increases were included in the Government's expenditure plans as set out in the public expenditure White Paper last January. The White Paper also made provision for the statutory uprating of the main social security benefits in line with earnings or prices as appropriate.

"We have therefore decided to increase in November the rate of pension by £3.20 to £31.20 for a married couple, and by £2 to £19.50 for a single person. This is likely to represent an increase of over 4 per cent. in real terms.

"The real value of the pension will thus have risen by over 20 per cent. since this Government came to office when the married pension was £12.50 and the single £7.75.

"My Rt. Hon. Friend, the Secretary of State for Social Services (Mr. Ennals) will shortly be announcing the full details of the uprating, including the increases in short-term benefits.

"Altogether, these improvements will be worth around £500m. in *1978-79* and £1.3bn. in a full year. The revised national insurance contribution rates for 1978-79 now in payment were announced last December.

"The Government's plans provided a contingency reserve of £750m. at 1977 survey prices to cover additional public expenditure measures in 1978-79. We have decided to allocate now a substantial part of the contingency reserve to such measures.

More kidney machines

"The first call on this sum is for the employment measures which the Secretary for Employment announced last month. The extra cost of these additional measures to United Kingdom employment programmes in 1978-79 is estimated at about £156m. and in 1979-80 at about £144m. As I said earlier, these additional measures, combined with the others previously announced, will protect or provide about 400,000 jobs or training places by March 1979.

"The Government is also making available further sums in 1978-79 to expand other programmes which are of particular social and economic importance at this time. Within the social services, we are giving on this occasion the highest priority to health and education. There will be an allocation of £50m. in 1978-79 for the health service in the United Kingdom for specific improvements in services for patients.

"These will vary from place to place but there will be, for example, extra resources for the full opening of newly completed hospitals, facilities to cut waiting lists, more staff to help care for the elderly and handicapped, and over 400 extra kidney machines.

"Education will receive £40m. to cover a higher rate of capital expenditure by local education authorities on schools and colleges and there will be some additional funds for retraining teachers in subjects like maths, science and crafts where there is a shortage.

"There will also be £20m. for environmental services, including building small factories in rural areas by the Development Commission, and for preserving the coastline. There will be provision for higher expenditure on law and order—such as police and prisons and the probation services; special assistance for certain areas affected by early steel closures; and a small extra sum for sea defences in addition to the help announced for farmers affected by storm and flood damage earlier this year.

"Finally, funds will be made available to promote insulation of private houses and to launch a further scheme to promote energy saving in industry and commerce. This will make a useful contribution to the energy objectives of the concerted international programme I have mentioned.

"These decisions will provide useful additions to a wide range of public expenditure programmes and will also bring some further help to the construction industry. Further details will be announced by the Ministers responsible in each case.

Free school milk

"The other increases in expenditure are designed to help the family budget. The Government has decided that the autumn increase in the charge for school meals will not take place. We have also decided to take advantage of the EEC subsidy for school milk by enabling local education authorities to provide free milk for 7 to 11 year olds. The net cost of these two measures is about £68m. in 1978-79.

"Finally, we are raising child benefit again. As I announced last summer, child benefit was raised this month to £2.30 a week for all children, and the premium for the first child of one parent families doubled to £1. The Government has now decided that the child benefit rate will be increased in April, 1979, to £4 for all children. Meanwhile, as a first instalment of this increase, the Government has decided to increase child benefit by 70p to £3 for all children this November.

"In addition, the premium for first children of one parent families will be doubled from £1 to £2 in November. The cost of these increases in 1978-79 will be around £165m. They will give a further major boost to child support for working families. Those dependent on social security benefits will, of course, gain from the general social security uprating which I have just announced.

"In deciding on these measures of additional expenditure this year, the Government has regarded it as an essential principle that their cost should be met within the public expenditure plans published in January. Accordingly, the cost will be met from the contingency reserve for this year.

"It has been argued from many quarters, including many of my Rt. Hon. and Hon. Friends, that the Government should take

Continued on Page 16

Freddie Mansfield

Smiles from Mr. and Mrs. Denis Healey as they drove to the Commons yesterday with Mr. Tony Battishill, the Chancellor's private secretary. On the rear shelf is the famous Budget box.

Need for tax stability • The new lower rates

major expenditure decisions on measures affecting people's incomes, such as child benefit at the same time as its main decisions on taxation. The two can then be seen in relation to each other. I believe it is right that the Government should have taken now its principal remaining decisions affecting 1978-79.

"Just under £200m. at 1977 survey prices remains available in the contingency reserve. Any contingencies requiring additional expenditure in the remainder of the year will be met within this figure.

"The Government will consider the programmes for 1979-80 and subsequent years in the public expenditure survey. It remains the Government's firm intention to contain the growth of expenditure planned for those years within the growth which we can expect in the economy as a whole.

Current cost accounting

The Chancellor then turned to his proposals on taxation. "A major purpose of this Budget," he said, "is to adjust taxation so as to help and improve our industrial performance. Our business tax system is generally recognised as giving very generous incentives to new investment, and the scheme for stock relief which I introduced in 1974 has also been of immense value to industry.

"I think the House would agree that what industry requires is stability in their tax environment. I have therefore decided again to make no major changes this year in the rate of Corporation Tax or in the levels of investment incentives.

"In my Budget statement last year I said the stock relief scheme would continue in its present form for 1977-78 and 1978-79. I then hoped that the debate on current cost accounting might by now have reached the stage where we could move to a permanent scheme of relief.

"But it is now clear that more time is needed for discussion of inflation accounting and, when an accounting standard has been agreed, tried and tested, for deciding how far it can be used for tax. I intend, therefore, to retain the present scheme for 1979/80, and to continue it indefinitely until a permanent scheme can be introduced.

However, I recognise there is continuing concern about the build up of deferred tax liabilities in company accounts and the effect this may have on the raising of investment capital and investment decisions. This is a matter which can best be dealt with as part of the permanent scheme. I wish, however, to dispel any anxiety among industrialists that with the present scheme continuing indefinitely they may be faced with a mounting volume of potential tax liabilities.

Legislation pledge

"I, therefore, give this assurance now: if, this time next year, we are still unable to see what form a permanent scheme will take, we shall introduce legislation to limit the build up of these liabilities as follows.

"First, the balance of the relief for the first two years of the scheme will be written off. Second, we shall build into the present scheme similar provisions for a write-off of so much of the relief for each subsequent year as remains after a six year period.

"This will remove the major criticisms which industry has of the present arrangements and will enable stock relief to continue in more or less its present form until a permanent system is available.

"While overall stability is my main purpose so far as companies in general are concerned, I believe that so far as small businesses are concerned we can expect a significant improvement in industrial performance from some easing of the tax regime." In my Statement last October, I announced the first changes which were proposed in the tax treatment of small firms and in particular a big increase in the CTT relief.

"I can now outline the firm decisions we have made on the matters which were then under review."

"First, I intend to raise the profits limit for the small companies rate of corporation tax from £40,000 to £50,000 and to increase the limit for marginal relief from £65,000 to £85,000.

"Next I intend to provide that a business man who makes trading losses in the early years of an unincorporated business, will be able to set them against income received in previous years.

"I also propose to give relief similar to that for employees last year to self-employed people and members of partnerships who are resident here and work abroad.

"We are also proposing substantial relaxations in the capital gains tax rules for small businesses. I intend, as foreshadowed last October, that capital gains tax on gifts of business assets either within a family or to employees should be deferred until the assets are sold.

"This will be a major help in passing on a business.

"In addition, I propose that losses on loans and guarantees should henceforward qualify for capital gains tax relief. This will encourage investment in family companies.

"Finally, I intend to raise the limit for retirement relief from its present level of £20,000 to £50,000. A very large increase is, I think, justified here to help the small businessman who has worked hard all his life to build up a modestly successful business.

The burden of VAT

"Finally, I am concerned to limit the burden of VAT on small firms. I am proposing to make a number of changes in the administration of the tax and, in particular, to raise the registration limit to £10,000 and to allow relief against VAT for bad debts in insolvencies.

Mr. Healey said he was sure the changes would be welcome. "My right hon. friends and I are still considering what further proposals we can reasonably take to help small businesses and encourage investment in them."

"I propose now, however, to give extra help to two particular sectors. First, farmers. I think it is generally accepted that farmers are in a unique position, partly because the weather can produce substantial fluctuations in their income and partly because farming is a highly capital intensive industry requiring substantial investment.

"I have, therefore, decided to allow farmers to average their incomes for tax purposes when they vary by 30 per cent. or more between two years and to increase the agricultural building allowance in the first year to 30 per cent.

"Second, the hotel industry. In recent years a substantial increase in tourism has made an important contribution to our invisible export earnings.

"I therefore propose that any expenditure incurred after today on the construction or extension of an hotel with at least ten bedrooms should qualify for capital allowances at the rate of 20 per cent. initial allowance and 4 per cent. annual allowance.

Profit sharing encouraged

"I also wish to encourage profit-sharing in this year's Finance Bill. Profit-sharing schemes can encourage the employees of a company to identify themselves more closely with their company. As the hon. Gentleman, the member for Cornwall North (Mr. John Pardoe), has often emphasised, this can help to improve the relationship between employees and employers, encourage greater efficiency and stimulate growth.

"If it is not simply to give relief to the higher paid there must be a ceiling to the amount of relief to which any one taxpayer can be entitled. So there will be a limit of £500 a year to the value of shares which can be allocated tax free to any one employee.

"My proposals will take effect from next year and will broadly follow Method III as set out in the Inland Revenue's consultative document published last February.

"I have studied very carefully the representations which the Inland Revenue received on their consultative document on capital gains tax and inflation.

"I must conclude that the practical problems for taxpayers, their advisers and the Inland Revenue alike in any scheme for indexation or for tapering would be too great.

"Moreover, I do not think it would be right to give relief for inflation to investors in shares and land, while investors in building societies and other fixed interest loans receive none—and while an investor can benefit from the decrease in the real value of his borrowings.

"But to lighten the burden on small investors I propose that an individual's gain up to £1,000 in any year should be exempt and gains between £1,000 and £5,000 charged at 15 per cent., that is, at half the full rate.

Fighting tax avoidance

"A marginal relief will secure that only large gains of £9,500 or more in a year will bear the full rate. These provisions will apply to the year just ended and will replace the present exemption for small disposals and the alternative basis of charge which many people have had difficulty in understanding.

Lastly, tax avoidance. This has emerged recently in a new form which involves marketing a succession of highly artificial schemes—when one is detected, the next is immediately sold—and is accompanied by a level of secrecy which amounts almost to conspiracy to mislead.

"The time has come not only to stop the particular schemes we know about but to ensure that no schemes of a similar nature can be marketed in future.

"So the provisions I shall be introducing this year to deal with artificial avoidance by certain partnerships dealing in commodity futures will go back to April 6, 1976, that is, before the date when the intention to legislate was announced in a Parliamentary answer.

"My proposed measures against avoidance by means of land sales with the right to repurchase will go back to December 3, 1976, the date foreshadowed in a Parliamentary answer; and I will from to-day counteract devices for avoiding the CTT charges on discretionary trusts and avoidance of CTT through the use of associated endowment and term life policies.

"I now come to my proposals for those taxes which most concern the individual man and woman.

Higher tar cigarettes

"I think it is now generally recognised that, while the total burden of taxation in Britain is well within the international average, the proportion of total revenue derived from income tax is still too high although I have already reduced it significantly in the last three years. Cuts in income tax will, therefore, account for almost all the £2.5bn. stimulus which I have announced.

"I know that some MPs think it would be right to cut income tax this year by a much larger sum and offset the additional costs by increases in indirect taxation. In principle, I have some sympathy with this view.

"But I believe that this year we must consolidate and reinforce our success in the fight against inflation so that we can for good and all bring down the inflationary expectations which have so damaged our economy in recent years.

"In this situation I cannot believe it would make sense for the Government itself deliberately to raise the inflation rate and increase the cost of living. I will, therefore, leave the indirect taxes generally unchanged on this occasion—with one small exception.

"To discourage the smoking of cigarettes which have a higher tar yield, I intend to introduce from September 4 a supplementary duty on cigarettes with a tar yield of 20 milligrammes or more. If the manufacturers fully passed on this increased duty in prices they would raise the price of 20 of these cigarettes by about 7p. About 15 per cent. of cigarettes will be affected.

"The House will recognise that this supplementary duty is not designed primarily to raise revenue—it could bring in only £25m. in a full year at most—and if it results in leading smokers to abandon these high tar cigarettes, no one will be more pleased than I.

"The effect on the retail price index will be negligible.

"I have also been asked to consider an increase in the National Insurance surcharge. The share of employer social security contributions and payroll taxes in total revenue is a good deal lower in Britain than in most other countries of the European Community.

Incentives for effort

"But I do not believe it would be right to increase it so soon after it has been introduced, and at a time when unemployment is our major problem. It would increase industrial costs at a time when it is essential to improve our competitiveness and it would ultimately be largely passed on in higher prices at a time when the fight against inflation is at a crucial stage.

"The proposals I have announced so far leave £2.4bn. for reductions in income tax. I have considered carefully how they should be distributed so as to further the objectives I have set myself to increase the incentive for greater effort and to promote social justice.

"I believe it is right to regard this Budget as the second phase in a process which I began last autumn. I told the House in October that, as well as increasing the plans for public expenditure in 1978-79, I was raising the level of the personal allowances fixed in last year's Finance Act by 12 per cent. so as to ensure that their real value was maintained, and that I was bringing forward this increase in tax thresholds by 12 months compared with the date provided for in the Act.

"In practice, this increase has turned out to be slightly higher than the increase in the retail price index over the calendar year 1977.

"The question I have had to decide for this Budget is whether I should devote the bulk of the tax relief now available to raising the tax thresholds still further, or whether I should introduce a lower initial rate of tax.

Special help for families

"Since I have already more than fulfilled my obligation to index tax thresholds, I have been particularly impressed by the argument that the rate at which people become liable to enter income tax is too high. It is indeed the highest in the world. It means that many of the low-paid are little better off in work than on the dole. I cannot believe that this makes sense in either economic or social terms.

"I propose therefore to introduce a lower rate of tax at 25 per cent. on the first £750 of taxable income. This new lower rate will be the marginal rate of tax for some 4m. of the low paid. Most tax payers now caught in the poverty trap will find its impact that much less severe because their tax rate will be 9 per centage points lower than now.

"Other taxpayers will be £1.30 a week better off as a result of this change alone. I hope it may be possible to extend this lower rate band in future years.

"I still believe, however, that it is necessary to raise the tax threshold as far as possible above the main social security benefit levels and to take as many people as I can out of tax altogether. I therefore propose this year to raise the single person's allowance and the wife's earnings allowance by a further £40 to £985 and the married allowance by £80 to £1,535.

"This increase in tax thresholds will help widows and also provide the family man with special help during the second stage of the transition to the child benefit scheme. The additional child benefit which mothers are now receiving will, in general, more than offset the effect on family income of the reduction in the child tax allowance which we have already announced.

"But I believe it is important too to ensure that this change does not reduce the father's pay packet, and for this reason I am increasing the married allowance by twice as much as the increase in the single allowance.

"I propose, as last year, to ensure that the allowance for one-parent families is kept in line with that for two-parent families by increasing the additional allowance by £40 to £550.

"Pensioners with a modest additional income have a special problem which I think all MPs will have come across in their constituencies. I therefore propose to increase the age allowance a little more than personal allowances generally—by £50 for the single person and £100 for the married—and to raise the age allowance income limit to £4,000.

"The cost of these measures will be £2,150m., of which nearly £1,600m. is attributable to the lower band and just over £550m. to the increases in the personal allowances.

"As a result of these increases, 360,000 people who would otherwise have been paying income tax in the coming year will not now do so.

"Although last October I increased the thresholds for the basic rate of tax by 12 per cent., I did not at that time similarly index the threshold for the higher rates of tax. If I did not raise this now, people with no more than 1½ times average earnings would move into higher rate liability this year.

Higher rate bands

"I propose therefore to raise the upper limit of the basic rate from £6,000 to £7,000. This will mean that a married man with earnings of £8,500 will not be liable to tax at the higher rate even if he is entitled to no allowances other than his married allowance.

"As a result, 450,000 people who would otherwise be paying tax at the higher rate will not have to do so. This will be of particular advantage to skilled engineers, foremen and middle managers.

"I propose also to increase the thresholds to the successive higer rate bands. The 40 per cent. band will, as now, be £1,000 in length. This will be followed by two bands of £1,000, two of £1,500, one of £2,000, one of £2,500 and one of £5,500. The 83 per cent. rate will thus be reached at a taxable income of £23,000 as compared with the present £21,000.

"There is a similar case for raising the thresholds for the surcharge on investment income. I propose therefore to raise the general threshold to the 10 per cent. rate of surcharge from £1,500 to £1,700 and the threshold to the 15 per cent. rate from £2,000 to £2,250 in line with the rise in prices.

"However, it is significant that nearly half of those liable to the surcharge are over 65, and two-thirds of these have incomes below the higher rate threshold. I therefore intend, in addition to the increase I have already announced, to help those elderly people living on relatively modest income from savings by increasing the real value of the surcharge thresholds for them.

"I propose that for those over 65 the thresholds for the 10 per cent. rate should go up from £2,000 to £2,500 and for the 15 per cent. rate from £2,500 to £3,000. Finally, I propose that maintenance payments should be wholly exempted from the surcharge with effect from this year.

"The changes in the personal allowances will take effect under PAYE on the first pay day after May 10. Single people and earning wives earning over £19 a week will in general then get a refund of £1.30, and they will thereafter pay 26p a week less in tax. The refund for married men earning over £30 a week will in general be £2.60 and the weekly reduction for them will be 52p.

"The new tax tables giving effect to the changes in rates of tax will operate from mid-July. There will then be a further refund of about £18 and a further reduction in tax of £1.30 a week."

Effect on wages

Mr. Healey then explained the effect of his Budget on living standards.

"With the usual Budget tables," he said, "I am arranging to have published this year, as in the past two years, tables which show the effect of my tax changes on individuals at different levels of earnings.

"In order to illustrate this, let me take first the example of a man earning £75 a week who has a wife and two children under 11. The tax reliefs in to-day's Budget will give him an extra £1.82 a week in his pay packet.

"As I have said, however, these tax reliefs are only the second phase of the process which I began last October when he got an extra £1.05 a week.

"From the beginning of this April the new provisions for child benefit and child tax allowances have come into force, as well as the increased national insurance contributions.

"Taking all these into account, the £75 a week family is better off by £3.32 and, when the child benefit rises in November by a further 70p for each child, the family will be better off by a total of £4.72 a week.

But these calculations do not take into account the effects of wage increases over the current pay round. Taking again the man on £75 a week, if his earnings rise by 10 per cent. in accordance with the Government's guideline, his standard of living will rise by nearly 6 per cent. in real terms between August, 1977, and August, 1978, as a result of last October's measures and of those I have just described.

'The only recipe'

"The man earning £50 a week will do even better; his living standards will rise by nearly 7½ per cent. On the same basis a single man on £75 a week will be about 4½ per cent. better off, and on £50 a week will be just over 6 per cent. better off.

"Thus I do not in this Budget make any call for sacrifice. With the rate of inflation remaining low, and with these substantial tax reliefs, modest increases in earnings should ensure that real living standards can continue to rise over the year ahead without unduly increasing our industrial costs.

"This is the best possible recipe for commercial and industrial success. It is the only recipe for curing unemployment.

Mr. James Callaghan, Prime Minister, leaves 10, Downing Street, to listen to the Budget speech.

'I do not make any call for sacrifices . . . modest increases in earnings should ensure that real living standards can continue to rise in the year ahead.'

Chancellor seen as late convert to tax cuts

THE CHANCELLOR'S "late conversion to tax cuts" was described by Mrs. Margaret Thatcher, Opposition leader, as "only election deep." She claimed that the main tax changes, which were disappointing, would very soon "disappear without being noticed."

Mr. Healey's trailer to the Budget had been a great deal more exciting than the show itself. The whole of his strategy during the past four years had failed and instead of tinkering with it, there should be a totally different direction, she said.

Mrs. Thatcher reminded the Chancellor that under his stewardship output had not risen in four years. There had been the biggest increase in unemployment in the post-war period, and the biggest increase and peak inflation in the post-war period.

Average earnings were £6 a week less than before the Government took office, and there had been the biggest increase in personal taxation.

"His strategy has not worked. He set out to create a socialist paradise, and all we have got is socialism," Mrs. Thatcher declared.

She welcomed the tax cuts for small businesses, but said that they, like everybody else, would suffer from the harmful effects of increased interest rates.

The reductions in personal income tax were "very moderate." There was "great disappointment" in the Tory ranks that the Chancellor had not reduced the standard rate of income tax.

The changes in investment income were very small and could have been larger, while the increase in National Insurance contributions would offset some of the tax reductions the Chancellor had introduced.

"Some will notice very, very little difference in their take-home pay," she said.

Tories welcomed the tax cuts Mr. Healey had made, provided he made sufficient reductions in Government expenditure.

Mrs. Thatcher said the Chancellor's general Budget comments had been made in almost all his previous Budget speeches. "But not one single one of them has brought an improvement in prosperity. They have brought flat output and a fall in the standard of living."

"The truth is that the Chancellor is a late convert to tax cuts," she declared.

Labour policy was to take an increasing proportion of national income for government. They wanted a high social wage determined by Government and a low real wage in the pay packet. But people wanted more of their own money and the chance to look after themselves in their own way.

To Tory cheers, Mrs. Thatcher added: "The Chancellor's conversion to tax cuts is only election deep and we shall deal with them accordingly."

Mr. Terry Walker (Lab., Kingswood) said the Chancellor had made the right decision by going for greater tax allowances rather than reduce the basic rate of income tax.

Mr. Daffyd Wigley (Plaid Cymru, Caernarvon) said his party had hoped the Chancellor would have taken some "positive steps" towards eliminating, or partially eliminating, the "crucial problem" of unemployment.

They had also hoped Mr. Healey would have looked at the possibility of helping "entrepreneurs setting-up for the first time."

The Denis Healey Show makes easy listening

BY PHILIP RAWSTORNE

MR. HEALEY'S pop Budget seemed to earn the ratings that might be expected from a radio slot between Pete Murray's records and Waggoners Walk.

No drama, not much panache but distinctly easy on the ear—and certainly guaranteed not to lose the housewife's votes.

Only a few minutes after MPs had stood in protest against the abandonment of imperial measures, Mr. Healey ruthlessly trimmed some other traditions for the benefit of his radio audience.

The Chancellor arrived with his script in a paper folder instead of the old despatch box which is presumably now being saved for television.

The Commons was expectantly tense; but the gaps on the benches showed that some at least had stayed away to hear the transistorised version.

Countering the threat of boredom, the Chancellor dispensed with the usual protracted economic review and got straight to his points.

He began by cautiously reflecting the Government's collective determination to succeed in its economic battles.

But after proudly reporting its high credit rating in New York, Mr. Healey turned to the task of improving it at home.

The Chancellor took out his £2.5bn. and promptly silenced the scoffing Tories. He handed out his first rewards to the pensioners and spread some extra public money, to the delight of Labour MPs over employment, health, education, and law and order.

His electoral dedication encompassed even rural factories and sea defences.

The Commons nodded knowingly as he chose November—a likely election date—not only as the time for pension increases but for rises in child benefits and for no increases in the cost of school meals.

Small businesses were given their concessions—"it is generally accepted that farmers are in a unique position," Mr. Healey smiled in generous tribute over the Prime Minister's self-effacing modesty.

Relief for hoteliers provoked a cry of "Well done" from a seaside Tory.

Liberals grinned with satisfaction over the Chancellor's introduction of profit sharing.

And still Mr. Healey had more than £2bn. left for the show's climactic income tax cuts.

Waving his uplifted living standards jubilantly, the Chancellor sat down to cheers.

"Follow that" Labour MPs invited Mrs. Margaret Thatcher. The Tory leader made a faltering start by complaining, as she clutched her handful of notes, that she had had no time to prepare her script for this broadcast.

Unsympathetic Labour MPs jeered—while Mrs. Thatcher ad libbed hopefully that Mr. Healey's 13th Budget might have been more stylishly presented but would be no more memorable than the preceding dozen.

Details of proposed tax changes

THE FINANCIAL statement says:

Income-tax

It is proposed to increase the single person's allowance and the maximum wife's earned income relief from £945 to £985 and the married allowance from £1,455 to £1,535.

It is proposed to increase the additional personal allowance from £510 to £550.

It is proposed to increase the age allowance for the single person from £1,250 to £1,300, for the married from £1,975 to £2,075, and the age allowance income limit from £3,500 to £4,000.

It is proposed to introduce a lower rate of 25 per cent. on the first £750 of taxable income (with a separate lower rate band of £750 for a wife's earnings). It is also proposed to extend the basic rate band by £250 to £6,250 reduced, as appropriate, by any wife's earnings charged at the lower rate).

It is proposed that the width of the 55 per cent. and 60 per cent. bands should be £1,500, that the width of the 70 per cent. band should be £2,500, and that the width of the 75 per cent. band should be £5,500.

As a consequence of these changes, the structure of personal tax rates in operation in 1978-79 will be:

BANDS OF TAXABLE INCOME

£	Per cent.
0- 750	25
750- 7,000	34
7,000- 8,000	40
8,000- 9,000	45
9,000-10,000	50
10,000-11,500	55
11,500-13,000	60
13,000-15,000	65
15,000-17,500	70
17,500-23,000	75
Over 23,000	83

It is proposed to raise the threshold for the investment income surcharge for 1978-79 from £1,500 to £1,700, and to increase the 10 per cent. band to £550 so that the 15 per cent. rate is reached at £2,250. For persons aged 65 or over, it is proposed to raise the threshold from £2,000 to £2,500, with a 10 per cent. band of £500, so that the 15 per cent. rate is reached at £3,000. The resulting structure of investment income surcharge for 1978-79 will be:

BANDS OF INVESTMENT INCOME

Under 65

£	Per cent.
1,700-2,250	10
Over 2,250	15

65 or over

£	Per cent.
2,500-3,000	10
Over 3,000	15

It is also proposed that maintenance payments should be exempt from the surcharge.

As the second stage of the scheme to phase out child tax allowances and replace them with child benefit, it is proposed to reduce the child allowances to £100 for each child not over 11, £135 for each child over 11 but not over 16 and £165 for each child over 16 (as compared with their 1977-78 levels of £196, £231 and £261 respectively for first children, and £170, £205 and £235 respectively for subsequent children).

It is proposed that child tax allowances for certain children living abroad should be maintained at the level set for them in the 1977 Finance Act. It is also proposed to increase to £80 the exemption limit for child dependency allowance received by widows and certain other social security beneficiaries.

It is proposed that the income limit on a child's earned income for the purposes of the child tax allowance should be increased from £350 to £500.

It is proposed to introduce provisions to give some relief for the self-employed and members of United Kingdom partnerships living in this country and working abroad.

It is proposed to allow relief against general income of the three previous years for a trading loss sustained in 1978-79 or later, in the first year in which an individual carries on a trade or in any of the next three years.

It is proposed to introduce a provision to allow a farmer to average the profits of two consecutive years where there is a change of 30 per cent. in profits from one year to the other.

It is proposed to introduce provisions for taxing certain persons engaged in diving operations under Schedule D instead of Schedule E.

It is proposed to provide relief for profit sharing with effect from the year 1979-80.

It is proposed to increase the earnings limit above which the special rules for taxing benefits in kind apply from £7,500 to £8,500 with effect from the year 1979-80.

Income tax and corporation tax

It is proposed to introduce an initial allowance of 20 per cent. for capital expenditure on agricultural buildings and works.

It is proposed to introduce capital allowances for expenditure on hotel buildings at the rate of 4 per cent. per annum with an initial allowance of 20 per cent.

It is proposed to introduce provisions under which, following the grant of a lease of more than 50 years of an industrial building, the lessee may become entitled to industrial buildings allowances instead of the lessor.

It is proposed to make provision with retrospective effect against the avoidance of tax by partnerships (other than partnerships between individuals) dealing in commodity futures.

It is proposed to make provision with effect from December 3, 1976, against the avoidance of tax by the sale of land with a right to repurchase.

Corporation Tax

It is proposed for the financial year 1977 to increase the lower and upper limits for the "small companies" rate of corporation tax from £40,000 and £65,000 to £50,000 and £85,000 respectively.

It is proposed to give further relief from apportionment to close trading companies for accounting periods ending after Budget Day.

It is proposed to reduce to 10 per cent. the rate of corporation tax on the chargeable gains of an authorised unit trust or approved investment trust as from April 1, 1977.

Corporation tax and capital gains tax

It is proposed to provide relief for guarantee payments or losses incurred in respect of certain loans made to traders.

Capital gains tax

It is proposed to replace the small disposals exemption and the alternative basis of charge by an exemption for individuals of the first £1,000 of net annual gains, with a lower rate of 15 per cent. on the excess for gains up to £5,000 and a marginal relief for gains between £5,000 and £9,500.

It is proposed to provide a rollover relief for gifts, including partial gifts, of business assets and to make some improvements in the relief available for the replacement of business assets.

It is proposed to increase the maximum figure of gains eligible for exemption under the retirement relief provisions from £20,000 to £50,000.

Capital transfer tax

It is proposed to amend the law relating to deeds of family arrangements and disclaimers.

It is proposed to amend the provisions relating to settled property.

It is proposed to extend the relief available for transfers to employee trusts.

It is proposed to prevent the avoidance of tax when certain insurance policies are taken out for the benefit of another person.

CUSTOMS AND EXCISE

Surcharges and rebates in respect of revenue duties

It is proposed to extend for a further year the existing powers under Section 9 of the Finance Act 1961 which enable the Treasury by Order to impose a surcharge or allow a rebate in respect of the main revenue duties of customs and excise.

Value added tax

It is proposed to amend Section 20(1) and Schedule 1 to the Finance Act 1972 relating to value added tax, so as to increase the registration limit to £10,000 per annum from April 12, 1978 and the deregistration limit to £8,500 per annum from July 1, 1978.

It is proposed to amend the law to enable the Commissioners of Customs and Excise to deregister a person who has ceased to be liable to be registered, by virtue of paragraph 2 of Schedule 1 to the Finance Act 1972, and who has failed to comply with the legal provisions relating to submission of returns or payment of value added tax.

It is proposed to introduce certain reliefs from the liability to value added tax in respect of bad debts where the debtor becomes formally insolvent.

Tobacco

It is proposed that from September 4, 1978, the specific rate of the excise duty on cigarettes shall be increased by £2.25 per 1,000 cigarettes in respect of cigarettes with a tar yield of 20 mg. or more.

Gaming licence duty

It is proposed to amend the Betting and Gaming Act 1972 to provide that the gaming licence duty chargeable in Scotland for a period beginning after 31 March 1978 shall be based on the rateable value in force on that date.

Anti-dumping duties

It is proposed to make amendments to the law relating to anti-dumping measures, to enable the United Kingdom to impose duties of customs on third country goods to give effect to obligations arising from its membership of the European Coal and Steel Community.

Forecast effects of new rates

The effects shown are direct effects: that is the difference between the yields of pre-Budget and post-Budget tax rates at the same levels of income and activity. The expenditure tax figures do, however, allow for the effects of relative price changes on the composition of consumers' expenditure.

£m.

	Forecast for 1978-79	Forecast for a full year
INLAND REVENUE		
Income-tax		
Increase in single allowance by £40 and married allowance by £80	− 415	− 500
Increase in additional personal allowance by £40	− 4	− 5
Increase in age allowance by £50 (single) and £100 (married), and in income limit	− 33	− 67
Introduction of lower rate on first £750	−1,317	−1,589
Extension of basic rate band by £250 to £6,250	− 52	− 66
Changes in higher rate bands	− 64	− 140
Increase in investment income surcharge thresholds	− 3	− 31
Exemption of maintenance payments from surcharge	Negligible	− 1
Increase in child's earned income limit	Negligible	− 5
Change in treatment of overseas profits of self-employed	Negligible	− 10
Loss relief against general income for new traders	Negligible	− 5
Averaging relief for farmers	Negligible	− 10*
Change to Schedule D assessment for certain divers	− 9	− 1
Income-tax and corporation tax		
Initial allowance for capital expenditure on agricultural buildings	Negligible	− 20†
Allowances for capital expenditure on hotel buildings	Negligible	− 15†
Industrial buildings allowances: long leases	Negligible	− 2
Corporation tax		
Increase in limits for small company relief	− 11	− 20
Further relief from apportionment	Negligible	− 2
Decrease in rate on chargeable gains of certain trusts	− 7	− 11
Corporation tax and capital gains tax		
Relief for losses on loans	Negligible	− 5
Capital gains tax		
Exemption and lower rate band	− 15	− 65‡
Rollover relief for lifetime gifts of business assets	—	− 5
Increase of exemption under retirement relief provisions	—	− 5
TOTAL INLAND REVENUE	−1,950	−2,560
CUSTOMS AND EXCISE		
Value added tax		
Increase in registration limits	− 5	− 15
Bad debt relief	− 15	− 35
Excise duties		
Increase in duty on higher tar cigarettes	+ 10	+ 25
TOTAL CUSTOMS AND EXCISE	− 10	− 25
Total	−1,960	−2,585

	Forecast for 1979-80	Forecast for a full year
Inland Revenue: Changes to take effect in 1979-80		
Relief for profit sharing§	− 25	− 100
Increase in threshold for benefits in kind	− 3	− 4

* The cost in 1979-80 will be £3m. † The cost in 1979-80 will be £5m. for agricultural buildings and £5m. for hotels. ‡ The cost in 1979-80 will be £40m. § The tax loss will depend on the extent of participation in profit sharing schemes, but might eventually exceed £100m.; the estimate of the cost in 1979-80 is speculative.

The impact on earnings

Single persons—income all earned

Income	Charge for 1977/78: Income tax	Charge for 1977/78: Percentage of total income taken in tax	Proposed charge for 1978/79: Income tax	Proposed charge for 1978/79: Percentage of total income taken in tax	Reduction in tax after proposed changes	Reduction in tax as a percentage of 1977/78 charge	Reduction in tax compared with 1977/78 before October 1977 measures	Reduction in tax as a percentage of 1977/78 charge before October 1977 measures
£	£	per cent.	£	per cent.	£	per cent.	£	per cent.
1,000	18.70	1.9	3.75	0.4	14.95	80.0	48.95	92.9
1,500	188.70	12.6	128.75	8.6	59.95	31.8	93.95	42.2
2,000	358.70	17.9	277.60	13.9	81.10	22.6	115.10	29.3
2,500	528.70	21.2	447.60	17.9	81.10	15.3	115.10	20.5
3,000	698.70	23.3	617.60	20.6	81.10	11.6	115.10	15.7
3,500	868.70	24.8	787.60	22.5	81.10	9.3	115.10	12.8
4,000	1,038.70	26.0	957.60	23.9	81.10	7.8	115.10	10.7
4,500	1,208.70	26.9	1,127.60	25.1	81.10	6.7	115.10	9.3
5,000	1,378.70	27.6	1,297.60	26.0	81.10	5.9	115.10	8.2
6,000	1,718.70	28.7	1,637.60	27.3	81.10	4.7	115.10	6.6
7,000	2,062.00	29.5	1,977.60	28.3	84.40	4.1	124.40	5.9
8,000	2,464.75	30.8	2,318.50	29.0	146.25	5.9	191.25	7.6
9,000	2,917.50	32.4	2,719.25	30.2	198.25	6.8	248.25	8.4
10,000	3,420.25	34.2	3,170.00	31.7	250.25	7.3	305.25	8.8
15,000	6,478.50	43.2	6,047.25	40.3	431.25	6.7	501.25	7.7
20,000	10,131.25	50.7	9,573.75	47.9	557.50	5.5	632.50	6.2
25,000	14,125.65	56.5	13,404.95	53.6	720.70	5.1	803.70	5.7

Married couple with 2 children not over 11 —net weekly income

Weekly earnings	Net weekly income in 1977/78: Child benefit	Income tax	National insurance contributions	Net income	Net weekly income in 1978/79 including proposed tax changes: Child benefit	Income tax	National insurance contributions	Net income	Increase in net income in 1978/79	Increase in net income compared with 1977/78 before October 1977 measures
£	£	£	£	£	£	£	£	£	£	£
30.00	2.50	0.00	1.73	30.77	4.60	0.00	1.95	32.65	1.88	1.88
35.00	2.50	0.00	2.01	35.49	4.60	0.40	2.27	36.93	1.44	2.48
40.00	2.50	1.68	2.30	38.52	4.60	1.65	2.60	40.35	1.83	2.88
50.00	2.50	5.09	2.87	44.54	4.60	4.35	3.25	47.00	2.46	3.51
60.00	2.50	8.49	3.45	50.56	4.60	7.75	3.90	52.95	2.39	3.44
70.00	2.50	11.89	4.03	56.58	4.60	11.15	4.55	58.90	2.32	3.37
80.00	2.50	15.29	4.60	62.61	4.60	14.55	5.20	64.85	2.24	3.29
90.00	2.50	18.69	5.17	68.64	4.60	17.95	5.85	70.80	2.16	3.21
100.00	2.50	22.09	5.75	74.66	4.60	21.35	6.50	76.75	2.09	3.14
120.00	2.50	28.89	6.04	87.57	4.60	28.15	7.80	88.65	1.08	2.13
140.00	2.50	35.69	6.04	100.77	4.60	34.95	7.80	101.85	1.08	2.13
160.00	2.50	43.06	6.04	113.40	4.60	41.75	7.80	115.05	1.65	2.88

Notes

Net income is earnings, less tax and national insurance contributions, plus child benefit. It does not include any means-tested benefit.

National insurance contributions in 1978/79 are for a person not contracted out of the new pension scheme.

Single parent families have the same net weekly income as married couples on the same weekly earnings except that a single family received £0.50 extra child benefit per week in 1977/78 and will receive £1.00 extra per week from April 1978.

Child Benefit this table does not take account of the interim increase in child benefit of £1.40 a week (70p per child) due next November.

Elderly married couples (either husband or wife aged 65 or over)

Income	charge for 1977/78: Income tax	charge for 1977/78: Percentage of total income taken in tax	Proposed charge for 1978/79: Income tax	Proposed charge for 1978/79: Percentage of total income taken in tax	Reduction in tax after proposed changes	Reduction in tax as a percentage of 1977/78 charge	*Reduction* in tax compared with 1977/78 before October 1977 measures	*Reduction* in tax as a percentage of 1977/8 charge before October 1977 measures
£	£	per cent.	£	per cent.	£	per cent.	£	per cent.
Income all earned								
2,000	8.50	0.4	0.00	0.0	8.50	100.0	79.90	100.0
2,500	178.50	7.1	106.25	4.3	72.25	40.5	143.65	57.5
3,000	348.50	11.6	247.00	8.2	101.50	29.1	172.90	41.2
3,500	518.50	14.8	417.00	11.9	101.50	19.6	172.90	29.3
4,000	801.83	20.1	587.00	14.7	214.83	26.8	286.23	32.8
4,500	1,035.30	23.0	870.33	19.3	164.97	15.9	219.37	20.1
5,000	1,205.30	24.1	1,110.60	22.2	94.70	7.9	149.10	11.8
5,500	1,375.30	25.0	1,280.60	23.3	94.70	6.9	149.10	10.4
6,000	1,545.30	25.8	1,450.60	24.2	94.70	6.1	149.10	9.3
Income half earned, half from investments								
Up to £4,000 as above								
4,500	1,060.30	23.6	870.33	19.3	189.97	17.9	244.37	21.9
5,000	1,255.30	25.1	1,110.60	22.2	144.70	11.5	199.10	15.2
5,500	1,462.80	26.6	1,305.60	23.7	157.20	10.8	211.60	14.0
6,000	1,670.30	27.8	1,500.60	25.0	169.70	10.2	224.10	13.0

Gross pay equivalents of net income changes

This table gives the earnings increases that would have been necessary to produce the same increases in net *family income* as are *produced* by the combination of the October tax reliefs, the Budget tax reliefs, the April changes to child benefit and CTA's, and the transition to the new pension scheme (for the contracted in), for single people, married men, and family men, earning £50, £75, and £100 per week.

	£50 per week: Increase per week £	%	£75 per week: Increase per week £	%	£100 per week: Increase per week £	%
Single Person	3.05	6.1	2.76	3.7	2.42	2.4
Married Couple (Wife not working)	4.13	8.3	3.82	5.1	3.5	3.5
Married Couple with 1 child under 11 (Wife not working)	5.26	10.5	4.93	6.6	4.63	4.6
Marired Couple with 2 children under 11 (Wife not working)	5.81	11.6	5.51	7.3	5.18	5.2

Economic outlook to mid-1979

THE financial statement also described the economic outlook. It stated:

Introduction

The Government expect a moderate rate of growth of total output (GDP) of about 3 per cent. over the coming year. By statistical convention, North Sea oil is valued at the relative prices of 1970. Valuing oil at the relative price of 1975 (reflecting the national accounting convention which will be applied from this autumn) would, in itself, add about ½ per cent. to the growth rate. A small current account surplus is forecast. A further slowing of the rise in the retail price index to 7 per cent. during 1978 is followed by a slight acceleration in the first half of 1979. Personal consumption and exports produce the most substantial increases in demand. Stockbuilding and some categories of private sector investment may also show significant increases.

2.—Accompanying tables set out Government forecasts for the period to mid-1979. They show the main forecast used in preparing the projection for the public sector shown in Parts II and III of this report and summarise the implications of alternative assumptions reflecting a better trading performance.

Assumptions

3.—The forecasts assume that average pay increases in the year beginning in August 1978 are about half the average for the current pay round. Monetary and fiscal policy assumptions are consistent with the Budget proposals. The exchange rate is taken as determined primarily by market forces. Labour cost competitiveness improves during 1978 to levels roughly equivalent to those of 1977.

Domestic demand

4.—Both tax reductions and the effects on real incomes of lower price increases are now stimulating personal consumption. Real personal disposable incomes fell sharply during the first half of 1977 but have been rising strongly in recent months due to the income tax reductions announced last October, the appreciation of sterling in 1977, and weak commodity prices. The Budget tax reductions will provide a further boost to real disposable incomes; they can be expected to show a very marked rise (over 7 per cent. compared with a year previously) up to the middle quarters of 1978, followed by a much more modest rise thereafter.

5.—The path of personal consumption in these circumstances is still very uncertain. Personal consumption usually lags behind real income and fluctuates much less. On the other hand, lower inflation may well tend to reduce the savings ratio. On balance, the savings ratio will probably rise whilst real incomes are increasing particularly quickly, but then fall. Taking the period as a whole, average rates of savings may be close to those of 1977. Personal consumption is forecast to increase by 4 per cent. over the year ending in the first half of 1979.

6.—Private sector investment in both manufacturing and the distributive and service industries should increase significantly. Department of Industry surveys indicate a strong rise both in 1978 and, more tentatively in 1979. The survey evidence has been interpreted cautiously because of the lack of output growth in 1977. A small decline is expected in the North Sea investment programme, from a peak in 1978. Overall, only a moderate increase is expected in total investment.

7.—Stocks in manufacturing and distribution were reduced in the second half of 1977. They appear to have built up excessively in the earlier part of 1977 when consumer demand fell sharply. Over the whole forecast period stocks should begin to rise in response to rising activity; but high rates of stock accumulation are not foreseen.

8.—The increase of 2½ per cent. shown for General Government expenditure on goods and services reflects some recovery in investment after a sharp fall during 1977. The renewed increase in public consumption is no more than the projected rise in GDP. The forecasts provide, as is customary, both for a full allocation of the contingency reserve (over the whole range of public expenditure) and for a likely level of shortfall.

External trade and balance of payments

9.—GNP of OECD countries grew by only about 3½ per cent. in 1977. Production in the major European countries fell sharply in the second quarter of the year and even now shows only modest signs of recovery. Although total trade increased rather faster, world trade in manufactures also seems to have risen by no more than 3½ per cent. This is considerably less than would have been expected, even given the depressed state of world, and particularly European, activity. There is little reason to expect any significant acceleration of OECD output in 1978, but the unusual relationship between world production and world trade is unlikely to persist. A growth in total trade around 6½ per cent. and of trade in manufactures close to 7½ per cent. (weighted with respect to United Kingdom markets) is forecast.

10.—In 1977 United Kingdom *exports of manufactures* increased by nearly 8 per cent. in volume. This was over twice the increase in world trade. The increase in the United Kingdom share of world markets was probably due in part to the improvement in cost and price competitiveness following the depreciation of sterling in 1976. However, exports rose more quickly than past experience of improved competitiveness would have suggested. The 1976 advantage in price competitiveness was largely eroded in 1977 while much of the advantage in labour cost competitiveness has been retained. Future trends in exports are therefore difficult to judge. The main forecast extrapolates from past relationships relating United Kingdom exports to world trade and *indicators of competitiveness*. On this basis, exports of goods and services are forecast to grow by some 5½ per cent. over the coming year. The variant assumes, in effect, some improvement in non-price competitiveness such as might be read into the 1977 figures. On this basis the forecast increase rises to 7 per cent.

11. Total import volumes rose only slightly during 1977. This reflected significant reductions in imports of oil and basic materials, offset by rises in imports of manufactures. Some acceleration in the growth of imports of manufactures is to be expected as expansion picks up, particularly in the consumer goods sector. Nevertheless, trends for import penetration of finished manufactures are extremely hard to assess. The judgment about import propensities reflected in the present forecast is near to the middle range of views expressed recently by a number of independent forecasters. In the main forecast, the volume of imports of goods and services is forecast to grow rather faster than the equivalent export volume. In the variant forecast, imports and exports grow at a more similar rate. Both forecasts reflect the continuing build-up in North Sea oil production.

12. The strength of sterling during 1977 and the weakness of commodity prices have led to a substantial improvement in the U.K.'s terms of trade. While further movements of this magnitude cannot be expected, it seems reasonable to assume that most of the improvement will be retained into 1979. Some improvement is also foreseen in the invisibles account with a continuing rise in the balance of services rather more than offsetting a deterioration in transfers, interest, profits and dividends. The implication is that the current account is likely to remain in surplus throughout the forecast period, though not at the level of the exceptionally favourable second half of 1977.

Prices

13. Retail prices should maintain the lower trend established last summer. This will probably bring the year on year change down to 7 per cent. by the summer of 1978. The prospect for 1979 depends greatly on future pay increases. However, even assuming further substantial progress in moderating pay increases, the year on year increase may rise slightly in the first half of 1979. The trend this year is benefiting from an unusually favourable movement in import prices. This cannot be assumed for 1979, particularly if world growth increases. Also, the change between the second quarters of 1978 and 1979 will be affected by the unseasonably low level of some food prices in the first half of 1978.

Public Sector Borrowing

14. The forecast rise in the PSBR to £8½ bn. in 1978-79 reflects reductions in taxation over and above full compensation for inflation. A number of factors which depressed the PSBR in 1977-78 are absent, in particular the sale of BP shares and the increased contribution of the clearing banks to the finance of export credit. For 1978-79, the PSBR forecast comes to 5½ per cent. of market price GDP, a long way below the 1975-1976 peak of 9½ per cent.

A variant forecast

15—Variants are a useful way of showing the implications of a different outcome for some single crucial feature of the forecast. One such variant is shown in the right-hand column of Table 4. It illustrates the possible effect of better trading results. This could be due to an improvement, compared with past experience, in the non-price competitiveness of British industry. It could also reflect a successful international effort to get world trade rising faster than the main forecast assumes. Most of the improvement is on the export side. The figures show an addition to GDP, compared with the main forecast, of 1 per cent. by the first half of 1979 and also a small improvement in the current account. This, of course, can be no more than illustrative of the possible range of outcomes.

Margins of error

16—It is impractical to indicate the range of uncertainty by use of variants alone. An alternative approach is to look at the margins of error associated with earlier forecasts. A table showing average errors in official forecasts over a period of 5-10 years was published in conjunction with the post-measures forecasts published by Press Release on 26 October, 1977. Many factors affect the reliability of particular forecasts and these figures are at best a crude guide to the margins of error applying to the present forecast. They do, however, provide a salutary reminder that forecasts can never be a precise guide to the outturn. For example, the current account forecast for the second half year of the forecast period has deviated from outturn by, on average, some 1½ per cent. of GDP: in terms of the present forecast this would imply a margin to the forecast for the first half of 1979 of over £1bn. in either direction.

Economic prospects to mid-1979

	Main forecast	Variant with stronger trade performance
Output and expenditure at constant 1970 prices (per cent. changes, first half 1978 to first half 1979):		
Gross domestic product (at factor cost)	3	4
Consumers' expenditure	4	4¼
General Government expenditure on goods and services	2½	2½
Other fixed investment	0½	1
of which		
Private sector manufacturing	4½	5½
Exports of goods and services	5½	7
Stockbuilding (as per cent. of GDP)	0½	1
Imports of goods and services	8	8
Manufacturing production	2½	4
Balance of payments on current account (£bn.):		
1978 First half	0½	0¼
Second half	0½	0¾
1979 First half	0¼	0¾
Public sector borrowing requirement (£bn.—in parentheses, PSBR as a percentage of GDP at current market prices):		
Financial year 1977-78	5½ (4%)	5½ (4%)
Financial year 1978-79	8½ (5½%)	8½ (5¼%)
Retail Price index (per cent. change):		
Fourth quarter 1977 to fourth quarter 1978	7	7
Second quarter 1978 to second quarter 1979	8	7½

Cash limits 1978-79

AFTER the Chancellor's speech, the text of the White Paper on cash limits was released. The introduction stated:

1—Cash limits will be applied to most central and local government services in 1978-79, as in the previous two years. The limits *are set out in the accompanying tables.* Table 1 gives them for the central government, including those placed in the amount of financial assistance to local authorities by the central government through the rate support grant and supplementary grants. Table 2 gives the limits for capital expenditure by local authorities and certain other bodies. The estimated external financing requirements of the nationalised industries, which are also treated as a form of cash limit in the way described in paragraphs 13-16 of the White Paper "Cash Limits on Pubilc Expenditure" (Cmnd 6440), are published in the Financial Statement and Budget Report.

2—The cash limits have derived from the planned volume figures in the White Paper "The Government's Expenditure Plans 1978-79 to 1981-82" (Cmnd. 7049). As stated in the White Paper on the Attack on Inflation after July 31, 1977 (Cmnd. 6882), they reflect the Government's policy on pay.

3—The following changes have been made in the list of expenditures covered by cash limits. The new Youth Opportunities Programme and the Special Temporary Employment Programme will be included in the Department of Employment cash blocks 2 and 4 respectively. The cash limit on Northern Ireland Departments (NID 1) now includes certain payments to the Northern Ireland Electricity Service and some minor services not previously subject to cash limits. Grants to local authorities for aerodrome development have been brought into the relevant Department of Trade limit (DOT2). There have also been a few minor exclusions. About two-thirds of expenditure in the Main Estimates for 1978-79 is covered.

4—The new cash block established during 1977-78 to cover urban programme capital expenditure in England will continue in *1978-79*. New cash blocks have been created for: English new towns' industrial and commercial investment, previously included in the Department of the Environment block for central and miscellaneous services: expenditure by Welsh new towns, previously in the Welsh Office blocks for other environmental services and housing investment: the Paymaster General's Office, previously included with Treasury pay and general administrative expenses; and the grant-in-aid to the Health and Safety Commission, previously included with the Department of Employment's *other employment services*. The number of Welsh Office cash blocks has been reduced to improve the scope for effective financial management; the coverage is described in the appendix. Some other minor changes have been made in the grouping of expenditure into blocks.

5—During 1978 the Government intends to discuss with the Select Committee on Expenditure and the Committee of Public Accounts the question of a closer alignment of cash limits and Supply Estimates.

6—Provisional figures for the outturn of central government expenditure subject to cash limits in 1977-78 will be published as soon as possible after Departments have closed their books for the year. Similar figures for the capital expenditure cash limits of local authorities and certain other bodies will also be published as soon as possible.

Details of the cash limits are contained in *Cash Limits 1978-1979. Cmnd. 7161. SO 35p.*

● SMALL BUSINESSES

Tax relief granted to aid new trading ventures

PROPOSALS on small businesses were outlined by the Inland Revenue in the following statement after the Chancellor's Budget speech: The Chancellor of the Exchequer *to-day* announced that, as foreshadowed in October, the Finance Bill will contain a number of measures designed to help small firms, as well as others which will be of particular benefit to them.

These follow the continuing study of the problems of small firms undertaken by the Chancellor of the Duchy of Lancaster, at the Prime Minister's request, in conjunction with the Chief Secretary to the Treasury and the Parliamentary Under-secretary of State with special responsibility for small firms at the Department of Industry.

INCOME TAX

Carry back relief for initial trading losses of unincorporated businesses: There is to be a new relief which will help individual entrepreneurs to get started (*for example, the employee* leaving employment to set up a new business on his own) by enabling them to obtain relief earlier than under existing law for any losses made in the first years.

At present, an individual or individual member of a partnership can claim relief for a trading loss either against total income of the year of loss or following year (Section 168, Income and Corporation Taxes Act 1970) or against future profits of the trade (Section 171).

Under the new proposals he will, as an alternative, be able to claim to carry back a trading loss sustained in the first tax year in which he trades or in any of the next three years and set it against income of the previous three years, including for example his earnings from employment. This relief will apply to losses sustained in 1978-79 or later.

CAPITAL GAINS TAX

Relief for losses on loans and guarantee payments: There is to be a new relief from capital gains tax when a loan used by the borrower for trading purposes has become irrecoverable. The lender will be able to set off his loss against capital gains of the same or a later year. Sums paid by a guarantor of such a loan will qualify in a similar way. This relief will apply to loans made after to-day. It will not extend to loans between spouses or between companies which are members of the same group for capital gains purposes.

Rollover relief for gifts of business assets: Capital gains arising after to-day on the gift of assets used in a business, or of shares in a family trading company will be rolled over to the donee where the donor and donee jointly so claim. Any retirement relief due to the donor will be given first. Where the assets have not been used wholly for *the purposes of the trade or, in* the case of shares, the family company owns assets which are not used for the purposes of its trade, an appropriate proportion of the gains will qualify *for rollover. This new relief* supersedes the existing relief in respect of gifts of agricultural property, which is therefore repealed for gifts made after to-day.

Retirement relief—new limit. Where an individual qualifies for retirement relief in respect of gains arising on the disposal after to-day of a business (or part of a business), or of shares in a family trading company, the maximum amount of the exemption will be increased. For every year by which his age exceeds 60 the new limit will be £10,000 in place of £4,000 (with a corresponding part for a part of a year), rising to £50,000 in place of £20,000 at age 65.

Replacement of business assets. There are to be two improvements in the existing rollover relief for business assets disposed of and replaced. For assets replaced after to-day a person carrying on two or more trades, either successively or at the same time, will be treated as if the separate trades were a single trade. Secondly, the relief is to be given to a shareholder of a family trading company who owns and replaces an asset, if both the old and the new assets are used for the purposes of the company's trade.

CORPORATION TAX

Small companies rate of corporation tax. Companies with profits below a certain limit pay a specially reduced rate of corporation tax on their income and there is a corresponding marginal relief for those with profits below a higher limit. These limits, which last year were increased to £40,000 and £65,000 are being raised to £50,000 and £85,000 respectively for the year to March 31, 1978 and later.

Apportionment of trading income of close trading companies. The exemption limit for apportionment of trading income is to be increased substantially.

If the relevant income of a close company for a particular accounting period exceeds its actual distributions, the excess may be apportioned among the members of the company. Where a trading company has estate or trading income of no more than £5,000 after corporation tax for an accounting period of one year however, none of its estate or trading income counts as relevant income (paragraphs 9 (2) (3), Schedule 16, Finance Act 1972); where this income is between £5,000 and £15,000 it is abated by one-half of the difference between the income and £15,000. (The figures are reduced where the company has one or more associated companies.) These figures are to be increased to £25,000 and £75,000 respectively, net of corporation tax, in respect of the whole of any accounting period ending after October 26, 1977.

Apportionment: acquisition of businesses: A further easing of the apportionment rules is being introduced for those close trading companies still left within the field for apportionment and for close companies which are members of trading groups. At present these companies cannot claim the cost of acquiring the first business, for example, the need to repay a "first business loan," or of acquiring a later unconnected business as a reason for not distributing income so as to avoid having their income apportioned.

For accounting periods ending on or after to-day, the cost of acquiring a trade will count as a requirement of the company's business for this purpose, except where the acquisition is from an associated company.

CAPITAL ALLOWANCES

Industrial buildings allowance: The change in the industrial buildings allowance rules announced by the Chief Secretary to the Treasury in a written *answer on 14 February 1978 in* connection with advance factories will be of particular assistance to small firms.

This will enable a lessee who has paid a premium for a lease *of more than 50 years of an in*dustrial building to qualify for industrial buildings allowance following a joint election with the lessor.

STOCK RELIEF

Continuation: Small firms are particularly concerned about the future of stock relief. The Chancellor of the Exchequer announced to-day his intention to continue the present stock relief scheme indefinitely and, subject to any progress made in the meantime towards a permanent scheme, to introduce legislation next year to limit the build up of deferred tax liabilities.

FARMERS

Special measures: In recognition of the exceptional vulnerability of agriculture to climatic conditions and its capital inten*sive nature*, farmers, except companies, will be enabled to average their profits over two consecutive years of assessment where the difference between them is 30 per cent. or more.

The capital allowances for expenditure on agricultural buildings and works are to be improved by allowing 30 per cent. of the cost to be claimed in the first year (instead of the present 10 per cent.) with consequential allowances of ten per cent. over the following seven years.

CAPITAL TRANSFER TAX

Threshold: As announced by the Chancellor in October 1977 the threshold for liability to capital transfer tax was increased from £15,000 to £25,000 for transfers after 26 October 1977.

Business relief: The Chancellor also announced in October, 1977 that the relief for controlling shareholdings and interests in unincorporated businesses was being increased from 30 per cent. to 50 per cent. and a new relief at 20 per cent. was to be given for minority shareholdings in unquoted companies. There will be no limit on the value of the transfers eligible for these extensions of the relief, which apply to transfers made after October 26, 1977.

Charges on the disposal of timber, following an election to defer payment of tax on the death of the timber owner, have not previously qualified for business relief. Disposals after October 26, 1977 will now qualify for relief, at 50 per cent., provided that the conditions for business relief would have been satisfied on the death.

Transfers to employee trusts: The conditions that have to be met to secure exemption (and capital gains tax rollover relief) for a gift of shares by an individual to an employee trust are being relaxed for transfers on or after April 11, 1978. The individual will no longer need to give all his holding, nor will the trustees need to acquire substantially all the shares in the company. Instead, it will be sufficient for the trust to obtain the majority of the ordinary shares, and voting control.

The exemption will also apply to transfers on death. Gifts to common ownership or co-operative enterprises can qualify for the reliefs if they are made via employee trusts.

Forecasts of expenditure, imports and gross domestic product

£ million at 1970 prices, seasonally adjusted

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Stock-building*	Total final expenditure	Imports of goods and services	adjustment to factor cost	Gross Domestic Product at factor cost*	GDP index 1974=100
1975	35,300	10,800	2,150	12,950	7,450	14,350	−730	69,300	13,700	8,750	46,850	98.4
1976	35,400	11,050	2,050	13,100	7,400	15,400	−150	71,150	14,200	9,000	47,950	100.7
1977	35,150	11,000	1,700	12,700	7,400	16,350	400	72,000	14,750	8,950	48,300	101.4
1978	36,900	11,250	1,600	12,850	7,850	16,950	100	74,650	15,850	9,550	49,250	103.4
1976 first half	17,600	5,500	1,100	6,600	3,650	7,500	−150	35,200	6,900	4,450	23,850	100.2
second half	17,800	5,550	950	6,500	3,750	7,000	—	35,950	7,300	4,550	24,100	101.1
1977 first half	17,400	5,500	900	6,400	3,700	8,050	450	36,000	7,450	4,400	24,150	101.4
second half	17,750	5,500	800	6,300	3,700	8,300	−50	36,000	7,300	4,550	24,150	101.4
1978 first half	18,200	5,600	800	6,400	3,900	8,350	50	36,900	7,800	4,700	24,400	102.4
second half	18,700	5,650	800	6,450	3,950	8,600	50	37,750	8,050	4,850	24,850	104.4
1979 first half	18,900	5,700	850	6,550	3,900	8,850	150	38,350	8,400	4,900	25,050	105.3
Pecentage changes												
Second-half 1976 to second-half 1977	−½	−½	−20½	−3½	−1	5		—	—	−½	½	
Second half 1977 to second half 1978	5½	3	3½	3	6	3½		5	10½	6½	3	
First half 1978 to first half 1979	4	2½	4	2½	4	5½		4	8	4½	3	
Pecentage changes at annual rate												
First half 1977 to second half 1978	5	2	−5	1	4½	4½		3	5½	6½	2	
Second half 1977 to first half 1979	4½	2½	4	3	3½	4½		4½	10	5½	2½	

(*) All figures are based on "compromise" estimates of gross domestic product. Discrepancies between compromise and expenditure estimates have been added to stockbuilding.

Note: Figures in £ million are rounded to £50 million. Percentage changes are calculated from unrounded levels in £ million and then rounded to ½ per cent. The GDP index in the final column is calculated from unrounded numbers.

● CAPITAL GAINS

Exemptions up to £1,000

IN HIS speech the Chancellor proposed an exemption for an individuals gains up to £1,000 in a year, and reduced liability for gains between £1,000 and £9,500. The chattels exemption will be raised to £2,000. The rate of tax on the gains of unit and investment trusts will be reduced to 10 per cent.

The Inland Revenue issued the following statement.

SMALL GAINS

It is proposed that for 1977-78 (the year just ended) and subsequent years, an individual whose total net gains in a year *of assessment* do not exceed £1,000 will not be charged to capital gains tax. Where the gains do not exceed £5,000, the excess over £1,000 will be charged at a reduced rate of 15 per cent.

Where the gains exceed £5,000 liability will be limited to tax of £600 plus half of the excess over £5,000. This marginal relief runs out at £9,500; gains of £9,500 or more are charged at the full *rate of 30 per cent.*

Examples

a Net gains £2,000
Exempt £1,000
Tax £1,000 at 15% = £150

b Net gains £6,000
Tax £600
+ (£6,000-£5,000) x ½ = £500
Total tax £1,100

Summary:

Net gains	Existing charge at 30%	new charge
£2,000	£600	£150
£6,000	£1,800	£1,100

This relief replaces the existing small disposals exemption for aggregate diposals not exceeding £1,000, and the alternative basis of charge. The alternative basis will continue to apply for 1977/78 where, very exceptionally, it is more favourable.

Although losses incurred during the year will be set off against gains of the year, losses brought forward will be used only to the extent necessary to *reduce gains to £1,000.*

Assessment on individuals where the tax calculation will be affected by the new proposals will not normally be made till after Royal Assent.

There may be cases where before or shortly after to-day an individual receives a capital gains tax assessment on which tax has been charged under the existing law but on which less *tax would be due under the* Budget proposals. In such cases the Inspector will accept an appeal (or late appeal) and will postpone payment of that part of the tax which would not be due if the Budget proposals had been applied.

Where capital gains tax in excess of the amount which would be due under the new proposals has already been paid for 1977/78, no repayment of that excess can be made until after Royal Assent.

CHATTELS

Gains arising on disposals of chattels for not more than £1,000 are at present exempt and allowable losses on such disposals are restricted. This £1,000 disposals limit is being increased for 1978/79 onward to £2,000.

The marginal relief for disposals where the proceeds exceed the exemption figure by a small amount will be expressed in terms of a restricted gain rather than as at present of a restricted tax bill. This change, which is needed to fit in with the new *marginal relief* in paragraph 1, takes effect from 1977/78.

RETURNS

An individual will not normally be required to show in his return total chargeable gains (before losses) of £1,000 or less except where the total disposal proceed exceed £5,000.

Taxpayers completing their 1978/79 tax return forms (which will include any capital gains or losses for the tax year 1977/78) will wish to take this charge into account.

Taxpayers completing their 1978/79 tax return forms (which will *include any capital gains* or losses for the tax year 1977/78) will wish to take this charge into account. Normally it will be sufficient in such cases to enter in the section dealing with chargeable gains, "gains not exceeding £1,000 and disposal proceeds not exceeding £5,000."

INVESTMENT AND UNIT TRUSTS

For the financial year beginning on April 1, 1977, and subsequent years it is proposed to reduce the fraction of chargeable gains included for Corporation Tax purposes in the profits of unit *trusts and investment* trusts from 35/104ths to 5/26ths. This has the effect of charging such gains at 10 per cent. instead of 17½ per cent. The rate of CGT payable by certain unit trusts with exempt holders and funds in court is also being reduced for 1977/78 onwards to 10 per cent.

The maximum credit available to persons disposing of units in unit *trusts or shares in* investment trusts will remain at 17 per cent. from 1977/78 and 1978-79. It will be reduced to 10 per cent. for 1979/80.

Central Government transactions

£m.

	1977-78 Budget forecast	1977-78 Outturn	1978-79 forecast Before Budget changes	1978-79 forecast After Budget changes
Consolidated Fund				
Revenue	37,742	38,773	44,706	42,746
Expenditure	43,489	43,989	51,378	51,378
Deficit	−5,747	−5,216	−6,672	−8,632
National Loans Fund				
Consolidated Fund deficit (as above)	−5,747	−5,216	−6,672	−8,632
Other transactions:				
Receipts	5,300	5,192	6,400	6,400
Payments	−7,188	−6,136	−7,640	−7,640
Total net borrowing by the National Loans Fund	−7,635	−6,160	−7,912	−9,872
Other funds and accounts (net)	+ 776	+1,666	+1,935	+1,935
Central government borrowing requirement	−6,859	−4,494	−5,977	−7,937

1977-78 Budget forecast and estimated outcome

Percentage changes second half 1976 to second half 1977 (*at constant prices*)

	Forecast %	Estimated outcome %
Consumers' expenditure	−1	−0½
Public expenditure on goods and services	−1½	−4½
Private fixed investment	1	3
Stockbuilding (changes in £m. at 1970 prices)	(+250)	(0)
Exports of goods and services	5½	5
Total final expenditure	1	0
Import of goods and services	2	0
Adjustment to factor cost	−1½	−0½
Gross domestic product at factor cost*	1½	+0½

* Gross domestic product figures are "compromise" estimates. The compromise GDP index is close to the average of the three alternative measures of gross domestic product at 1970 prices, based upon expenditure, income and output respectively. It differs from that average in respect of minor timing and other adjustments to some component series. Differences between the compromise aggregate and components of the expenditure series have been allocated for convenience to investment stocks.

● CREDIT CONTROLS

Investment and exports to receive priority

THE TREASURY issued the following statement after the Chancellor's speech:

The Bank of England is to-day issuing a notice restating the guidance that banks and finance houses are asked to observe in their direction of their lending. In particular, they are asked to continue to give priority to finance required for investment and the expansion of exports. The full text of the guidance is set out in a Press release issued to-day by the Bank of England (enquiries may be made to the Bank's Press Office: telephone number 01-601 4411).

Two changes on consumer credit are to take effect:—(i) The Bank of England are informing Barclays Bank Limited in respect of the Barclaycard and the shareholding banks in the Joint Credit Card Company (Access Card) that the request, made in December 1973 at the behest of the Chancellor of the Exchequer, that they should require monthly minimum repayments (of 15 per cent. or £6 whichever is the greater) from cardholders has lapsed. (ii) The Secretary of State for Prices and Consumer Protection has to-day laid an Order to amend with effect from May 3 the provisions of the Hire-Purchase and Credit Sale Agreements (Control) Order 1976 (as amended) by exempting fro mall control goods purchased under a credit sale agreement where the cash price of the *goods under the agreement* does not exceed £1,000 and payment is made by running-account credit.

The effect of this amendment is to remove the monthly minimum repayment requirement on running-account credit sale agreements where the cash price does not exceed £1,000. Other credit-sale agreements will be subject to control.

● AGRICULTURE

Easing the lot of the farmer

IN A STATEMENT after the Budget speech, the Inland Revenue said:

The Chancellor announced that provisions would be introduced in the Finance Bill to enable a farmer to average his profits over two consecutive years of assessment where the difference between them was 30 per cent. or more.

The Chancellor also announced proposals for improving the capital allowances for expenditure on agricultural buildings and works. For expenditure incurred after to-day an allowance of 30 per cent. of the cost may be claimed in the first year, with allowances of 10 per cent. over the following seven years.

Farmers may also benefit from other measures announced by the Chancellor in the interests of small firms. These are described in a separate Press notice.

Details of the proposed legislation:

1. Averaging provision

Those qualifying

All individuals who carry on a *trade of farming or market* gardening in the United Kingdom will be able to claim the benefit of this provision. It applies for income tax only and will not affect companies.

The averaging calculation

Where the difference between the profits for two consecutive years of assessment is 30 per cent. or more of the higher of the profits for the two years, the farmer will be able to claim that the profits of the two years are to be aggregated and one half will then be regarded for all purposes of the Taxes Act as the profits of the trade for each of the two years of assessment. For this purpose the measure of profits would be the profit for the year of assessment (and not for the basis period) before capital allowances, stock relief and losses.

If the profits chargeable in year one are £10,000 and those in year two are £6,000, the farmer will be able to average the profits and pay tax on £8,000 for each of the two years. The profits of the third year would then be compared with the averaged profits of the second year, that is, £8,000, to determine whether an averaging claim would be made for those years.

Losses

A loss from the trade in the "basis period" for any year of assessment will be treated as a "nil" profit. The loss itself will therefore remain available for relief under the appropriate provisions of the Taxes Act.

Partnerships

Where farming is carried on by a partnership, it will be the profits jointly assessable under Section 152 Taxes Act which will be eligible for averaging. In these cases the claim will have to be made jointly by all the partners. *Company partners will not* be able to claim under these provisions.

Marginal provisions

Where the difference between the profits of two consecutive *years of assessment* is between 25 and 30 per cent. of the higher of the profits for the two years a marginal provision can be claimed which will reduce the difference in profits between the two years without providing full averaging.

Commencement and cessation of trading

The proposals will not permit averaging of the profits of either the first or the last year of assessment of a trade of farming or market gardening. This will apply also where a change of partners is treated as a cessation for tax purposes, but not where there is an election for continuation of the preceding year basis of assessment on the occasion of the change.

Starting date

The first two *years of assessment* to which these provisions may apply are 1977-78 and 1978-79.

Claims

The provisions outlined will be *optional and will have to be* claimed within two years of the end of the second year of assessment.

Formal claims for averaging cannot be accepted until the *Finance Bill becomes law.* In the meantime, where tax is now due and unpaid for 1977-78 and sufficient information is available to indicate that an averaging claim for 1977-78 and 1978-79 would reduce the tax due for 1977-78 on farming profits, an application may be made to the Inspector to postpone payment of a suitable part of the tax on farm profits.

2. Agricultural buildings allowance

At present, allowances for expenditure on agricultural buildings and works are given at 10 per cent. per annum over 10 years. The improved relief will consist of an allowance of 30 per cent. of the expenditure in the first year, followed by allowances of 10 per cent. in each of the following seven years.

The initial allowance

The additional 20 per cent. relief in the first year will take the form of a new initial allowance. It will be possible to waive the initial allowance, or to reduce it below 20 per cent. *The procedure will be similar* to the arrangements for disclaiming, or claiming a reduced amount of, the 100 per cent. first year allowance for expenditure on plant and machinery.

Writing-down allowances

Writing down allowances at 10 per cent. will be given on the balance of the expenditure not covered by the initial allowance. The period over which these allowances are given will depend on the amount of the initial allowance. The following examples illustrate how the new rules will work.

Example 1

The maximum initial allowance of 20 per cent. is claimed. The allowances due in respect of the relevant expenditure are 30 per cent. in the first year (20 per cent. initial allowance and 10 per cent. writing down allowance), and a 10 per cent. allowance in each of the subsequent seven years.

Example 2

No initial allowance is claimed. The allowances due are 10 per cent. in the first year, and 10 per cent. in each of the subsequent nine years. This is the same relief as under the present rules.

Example 3

An initial allowance of 5 per cent. is claimed. In the first year the allowances would be 15 per cent. (5 per cent. initial allowance and 10 per cent. writing down allowance). There would then be writing down allowances of 10 per cent. in each of the subsequent eight years, with a final allowance of the remaining 5 per cent. in the ninth year.

It is proposed that the new scheme of allowances should apply to expenditure incurred *after to-day.*

● MONEY SUPPLY

Rolling targets adopted

AFTER THE Budget speech, the Treasury issued the following statement:

In announcing in his speech the sterling M3 target for 1978-79, the Chancellor said that he intends to adopt a system of rolling targets. The change in no way alters the Government's determination to maintain firm control over the money supply. It is essentially a technical change, to enable monetary targets to be used more effectively.

The target announced in the Budget speech applies to the 12 months from the end of banking *April 1978 (April 19) to the end* of banking April 1979 (April 18). Hereafter, the Chancellor expects to roll the target range forward at approximately six-month intervals; thus this autumn the Chancellor would announce a target range for the period up to mid-October 1979. A further moderation in the rate of increases in earnings may make it possible to set a lower target range for the next target period.

● HOTELS

Capital allowances on new building costs

THE Inland Revenue issued the following statement on the Chancellor's announcement of capital allowances on hotels:

The Chancellor announced that the Finance Bill would contain provisions giving capital allowances on the cost of construction of new hotels. Capital expenditure on extensions or structural alterations to existing hotels will also qualify.

The relief will consist of an initial allowance of 20 per cent. of cost, and annual writing down allowances of 4 per cent. on the straight line basis. The industrial buildings allowance rules will apply, with some modifications, to the new allowance.

To qualify for the new allowance a hotel must have at least 10 letting bedrooms, and the services provided for guests must include the regular provision of breakfast and an evening meal, and certain other services. It must also be open for at least four months in the period April to October. Capital expenditure on any part of a hotel which is occupied by the proprietor and his family will not qualify for relief. Where a hotel is extended, the cost will qualify for relief if, following the extension, it meets the requirements above.

Expenditure on a hotel building incurred in connection with a fire certificate under the Fire Precautions Act 1971 qualifies for 100 per cent. allowance under Section 17 FA 1974 and Section 15 FA 1975. This allowance will continue to apply to such expenditure.

It is proposed that the new relief should apply to capital expenditure incurred after to-day.

● SAVINGS

New issue Certificates in June

THE CHANCELLOR of the Exchequer announced in his Budget Statement the introduction of a new, 17th issue of National Savings Certificates to replace the current 14th issue. The Treasury, in a statement later, said the new issue would be on sale in June.

The Certificate will cost £5 and increase in value to £6.50 tax-free over four years. The over-all compound interest rate is 6.78 per cent., equivalent to 10.27 per cent. assuming tax at the basic rate. This compares with 7.59 per cent. net and 11.5 per cent. gross for the present 14th issue. The maximum holding per person will be £2,000.

The increments are as follows:

End of 1st year	23p
End of 2nd year	36p
End of 3rd year	41p
End of 4th year	51p
	150p = 6.78%

Further information both on the new issue and on the extension terms for maturing 14th issue certificates will be provided in a separate Press Notice which will be issued by the Department for National Savings. Inquiries relating to this notice should be addressed to the Department for National Savings (Tel.: 01-603 2000, ext. 480/481).

● CAPITAL TRANSFER TAX

Legacy provisions redefined

AFTER THE Chancellor's speech, the Inland Revenue issued the following statement:

Section 47 of the Finance Act, 1975, provides that if within two years of a death the dispositions under the deceased person's will or under the rules of intestacy are varied by a "deed of family arrangement or similar instrument" the variation is not treated as a transfer of value by any of the beneficiaries. The tax chargeable on the death is moreover adjusted as if the variation were incorporated in the dispositions under the will or intestacy.

The section also provides that when a legacy or any other interest in a deceased person's estate is disclaimed gratuitously within two years of the death, the beneficiary is not treated as having made a gift.

Hitherto the Inland Revenue have taken the view that the provision dealing with deeds of *family arrangement or similar* instruments does not apply where a beneficiary seeks to redirect property which he has already accepted or from which he has already received the benefit.

They have also taken the view that the provision does not apply where property is redirected and the recipient is neither a member of the family nor a beneficiary under the will. These and other matters arising from the interpretation of the provision have given rise to considerable practical difficulty.

It is accordingly proposed to redefine in the Finance Bill the provisions dealing both with deeds of family arrangement and with disclaimers of legacies and other interests in a deceased person's estate.

Under the new rules the tax treatment described in paragraph 1 will apply to any written instrument made within two years of death and varying, or disclaiming a benefit under, a disposition of property (other than settled property) forming part of the deceased person's estate.

The rule dealing with "variations" will not be limited to variations in favour of members of the family or beneficiaries under the will. It will also apply notwithstanding that a beneficiary who is giving up an interest had, before the date of the instrument, taken possession of the property or taken a benefit from it.

The provision will not however apply where the variation or disclaimer is made for a consideration which does not itself consist of a variation or disclaimer affecting non-settled property forming part of the deceased's estate. The new rules apply to instruments made on or after April 11, 1978; they do not apply to income tax, capital gains tax or stamp duty.

Instruments entered into before April 11 will continue to be governed by the existing legislation. However, the Inland Revenue will no longer regard the rules dealing with "variations" as outside the scope of that legislation solely on the grounds that it introduced a beneficiary who would not have benefited under the deceased person's will or the rules of intestacy and who was not a member of the family, or that a beneficiary has redirected a gift from which he had already accepted some advantage for himself.

This new practice will be applied subject to the statutory provisions which restrict the reopening of settled cases and to Schedule 4 Finance Act 1975 (Determination of questions on previous view of the law).

● DUMPING

Move prompted by EEC rules

THE Department of Trade said the Budget proposals to amend the law on measures to deal with dumping were needed because of the recent transition to full Community membership as a result of which responsibility for anti-dumping action on most products rested with the EEC Commission.

It was intended that the Customs Duties (Dumping and Subsidies) Act 1969, would be repealed except for products subject to the rules of the European Coal and Steel Community. In this area, the U.K. retained the right to take independent action in any case not dealt with by the Commission.

The Resolution also provided for a simpler procedure than hitherto for implementation in the U.K. of anti-dumping duties which had been recommended by the Commission in respect of these ECSC products.

Banks expected to increase overdraft rates

BY MICHAEL BLANDEN

THE SURPRISE increase in the Bank of England's minimum lending rate from 6½ to 7½ per cent. yesterday will probably lead to higher overdraft rates at the banks. But it is not expected to have any immediate effect on building society deposit and mortgage rates.

The change was the first since early this year, when MLR was reduced from 7 per cent., and takes the rate to its highest level since last August. It is likely that the rise will be fully reflected in an upward adjustment in the level of rates in the City money markets.

The money dealers had been expecting that rates would be adjusted upwards at some time fairly soon after the Budget, and yesterday's decision has simply brought this forward. It is possible that the Bank of England will be able to re-engage its normal market-related formula for determining MLR, which was suspended yesterday, if rates fall into line at Friday's weekly Treasury bill tender.

The big banks yesterday said they would wait for rates to settle down before making any decisions on their own lending rates. National Westminster, for example, said that while it had not expected the use of the Budget to raise MLR it had expected some rise in rates and would consider its action as a result of the announcement and the market reaction this morning.

If the banks follow the rise in their own base lending rate, lifting it from the present 6½ to 7½ per cent., the change would put the cost of overdrafts to the top-quality corporate customers up to 8½ per cent. Other borrowers would pay up to 11½-12 per cent.

A similar adjustment to the banks' seven-day deposit rate would take it up to 4 per cent. from the present 3 per cent., leaving the building societies still with a substantial competitive edge in attracting savings.

For this reason the societies are not expected to react quickly to the change. Mr. Norman Griggs, secretary-general of the Building Societies Association, said the change would make it more difficult to get in savings from the public and would help the movement's competitors.

Already the societies have seen some fall-off in the level of their receipts. Figures due out later this week will show March receipts of around £300m., one of the lowest figures recorded since the middle of 1977.

The societies are currently restricted in the level of mortgage lending because of Government concern over house prices. This means that they do not now have to attract quite as much new money to support their mortgage programme.

Allowances

Mr. Griggs also pointed out that the increased tax allowances and the new tax band would help the societies by reducing their tax bill under the composite rate.

Nevertheless, the societies would begin to show concern if their inflow dropped much further, and any further general rise in interest rates would increase the pressure.

Mr. Griggs said that while yesterday's change would have no immediate effect, "if our net inflow keeps going down and intensifies the council of the Association may have to think about a new rates structure."

Sharp rise in sterling after MLR increase

BY COLIN MILLHAM

STERLING showed a brief but sharp improvement yesterday afternoon, following the rise of 1 per cent. to 7½ per cent. in Bank of England Minimum Lending ate.

Foreign exchange dealers suggested that this was the major factor in the Budget influencing the pound. It touched a best level of $1.8815, from a low point of $1.8745 in the early afernoon.

The rise was fairly short-lived however, and sterling settled back to a closing level of £1.8780, a rise of 15 points on the day.

The pound's trade-weighted index, on Bank of England figures, rose to 62.3 from 62.2, while forward discounts against the dollar widened as a result of the increase in MLR.

Elsewhere, foreign exchage trading was fairly quiet ahead of the speech by President Jimmy Carter on his anti-inflation programme. The dollar was slightly firmer against the West German D-mark and Swiss franc at the close of business in London, but was a little weaker in terms of the Japanese yen.

Its trade-weighted depreciation, according to Morgan Guaranty of New York, recorded little change at 6.27 per cent., compared with 6.28 per cent. previously.

School milk plan will have £10m. EEC aid

THE PROPOSAL to raise the age for providing free milk to schoolchildren from seven to 11 will mean that Britain will be able to make more use of the EEC subsidy scheme which Mr. John Silkin, Agriculture Minister, pushed through the Council for Farm Ministers in Brussels last year.

At the present rate of subsidy, Britain could now receive about £10m. from Brussels in a full year, depending on the response made to the proposal by the local education authorities.

But there are proposals before the EEC Farm Ministers to increase the Community contribution to national programmes for free school milk to 50 per cent., and if this is accepted it would increase the figure to about £15m. a year.

The EEC scheme is due to run for at least five years from last May.

Britain's original scheme for free school milk provided children up to 11 with free milk until the programme was cut back in 1971.

If all education authorities decide to take part in the scheme, about 2,300,000 more children will receive school milk drinking an extra 175m. more pintas-a-year.

Although the Community will be contributing about £15m. a year to the total cost of the scheme, the extra cost to U.K. public funds would be about £13m. a year, Ministry officials said yesterday.

Mr. Silkin said: "Nutritionally, it is the right move; agriculturally, it is the right product."

Mr. John Owens, director general of the Dairy Trade Federation, said: "The federation welcomes the Government's decision to extend the availability of free school milk.

"This means that Government is making use of EEC aid to expand the consumption of liquid milk in the U.K. and so to reduce the EEC surplus."

More London homes for vital workers

FINANCIAL TIMES REPORTER

THE Greater London Council is to extend a scheme allocating part of its housing stock to help companies keep vital employees who are unable to find accommodation.

The scheme is at present applicable only to the inner cities. The extension to cover outer London areas is likely to be criticised by families on the housing waiting list who feel thet queue is being jumped.

But the GLC believes it important to encourage skilled workers and companies to stay in London and to try to halt the outflow of jobs and people.

It is making available a total of 625 homes, mainly flats and maisonettes, in the current year. They will be offered to companies in both inner and outer areas and allocated through the GLC valuation and housing departments.

The departments will interview the companies involved and will allocate accommodation in what it believes are genuine cases of need.

Last year only 94 homes out of a total of 500 offered were taken up by companies. The GLC feels this was because the offer was restricted to manufacturing industry in inner London. The new scheme, however, will also cover service industries and outer London areas.

Dr. George Bailey, vice-chairman of the GLC's Indusury and Employment Committee, said yesterday: "Giving housing help to industry is part of our overall effort to keep jobs and people in London.

"London must have a balanced cross-section of residential workforce. Housing one skilled man, vital to a company's future, can often mean increasing job possibilities for ten unskilled workers."

Livingston new town attracts 250 extra jobs

By Our Scottish Correspondent

SEVEN NEW companies had established themselves in Livingston in the first three months of this year bringing 250 extra jobs to the Scottish new town, says Mr. George McPherson, the development corporation's industrial development and estates manager.

He forecast that one large company would soon announce that the setting up of an operation in the town, which is 13 miles from Edinburgh. "This is one we have been working on for about seven years and is another great capture."

Industry disappointed at measures

Our Industrial Staff look at reaction to Mr. Healey's Budget

BRITISH INDUSTRY emerged from its traditional post-Budget huddle last night with the verdict that the Chancellor's measures represented a move in the right direction, if only a half-hearted one.

Mr. John Greenborough, president of the Confederation of British Industry commenting on the Budget, said: "The Chancellor said that the key to economic growth and high employment must lie in an improvement in our industrial performance. His Budget will not achieve this. It is a politically timid Budget.

"He has done far too little for those who must lead the revival of our trade and industry — managers, skilled workers and the owners of small businesses who can provide so much of that extra employment. The Chancellor has not reduced the basic and higher rates of tax on earned income starting at 34 per cent. and finishing at 83 per cent.—a step they had all expected.

While the overall amount of the Budget stimulus was not significantly different from what the CBI recommended, he believed the Chancellor had lost an unprecedented opportunity to encourage the people of Britain to make the additional effort and take the kind of risks needed for trade and industry to prosper, Mr. Greenborough said.

Some of the warmest reaction to the Budget concerned the proposals to assist small businesses. The Association of Independent Buinesses said the deferral of Capital Gains Tax on the transfer of shares would be "an enormous help" to small firms, as would measures for VAT relief on bad debt and losses through insolvency.

The association said, however, that it was "bitterly disappointed" by the personal taxation measures, where increased incentives were vital. It pointed out that top rates of tax should have been adjusted to begin at £43,000 to restore them to the 1973 level, but the Chancellor had raised the level to only £23,000.

The Engineering Industries Association said Mr. Healey had "totally avoided" any serious attempt to reflate the economy and bring down the level of unemployment.

"Although the Chancellor declared his intention to encourage engineers, the plea for combatting the erosion of differentials for skilled workers has been given no impetus," an association spokesman said. The association emphasised that no incentive for plant relief had been offered and industry would have to "await the pleasure of the Government" on the question of stock relief.

Mr. Roy Close, director-general of the British Institute of Management, said the Budget had missed the chance to encourage the efforts of managers and other professional and skilled people. "The incentive contained in the Chancellor's Budget are too little. His measures go in the right direction, but only half a step in the right direction."

The Engineering Employers Federation described Mr. Healey's measures as "disappointing and insignificant." A statement added: "The Chancellor has given a realistic analysis of many of the problems facing manufacturing industry but has provided little assistance toward their solution."

The Institute of Directors called the Budget "businesslike" but said it had not done enough to encourage individuals to find and serve their customers better. Mr. Jan Hildreth, the Institute's director-general, said the Chancellor's measures showed he "still believes in the power of the State and of the Whitehall Witches to stimulate the economy" while the basic problems of low productivity, inflation and unemployment continued.

The Retail Consortium, which represents most retailers in this country, called the Budget "pedestrian and unimaginative" but gave it a "subdued welcome." It said the additional spending power created by the Chancellor's measures should help sustain the recovery in retail sales seen in February and ensure that the volume of retail sales for the whole of 1978 was about 2 per cent. up on last year.

The Consortium forecast, however, that sales would not really pick up until the summer. Even then there would be no question of a boom of the kind seen in 1972 and 1973.

The biggest recovery, it said, probably would come on the food side. This was because the Chancellor had given most relief to the lower paid who spent more proportionately on food than the better off. Food sales, it predicted, would probably also benefit from the increase in child allowances.

The Food Manufacturers' Federation also said that it was "disappointed" by the Budget. The Chancellor had not taken the opportunity of removing VAT on certain foods, like ice-cream—or done enough to help middle and senior management.

Mr. Tom Boardman, president of the Association of British Chambers of Commerce, said: "The high public sector borrowing requirement is going to set off a new round of inflation. We are also concerned that incentives are missing from the Budget for the highly skilled worker and middle and top management who have most to contribute to industry and commerce."

The increase in MLR could add an extra £50m. to the cost of local authority borrowing, the Association of Metropolitan Authorities said. However, the association welcomed the increased public expenditure outlined in the Budget and the aid for industrial development which would help inner city areas.

Mr. Healey was praised for raising the child allowance by Mr. Frank Field, of the Child Poverty Action Group who said: "This Budget marks a major breakthrough for all children and the Chancellor deserves full credit."

The present child allowance of £2.30 is to rise to £3 a child in November and £4 a child from April 1979.

Mr. Field added: "November's increase in child benefit represents the biggest-ever increase in support for children.

"We now have the beginnings of a real child benefit scheme thanks to 'Deep Throat'—the person who leaked the Cabinet papers on child benefits in 1976."

Aims for Freedom and Enterprise, which represents several thousand leading federations and companies, said: "Mr. Healey's tax cuts still leave Britain up with Tanzania and Egypt as the world's highest direct tax payers.

"They will do little for unemployment until the Government and unions realise that 10 per cent. increases of earnings and 2 per cent. increases in productivity mean mass redundancy."

'Not bad' says City as shares move up

BY MARGARET REID

FIRST CITY reactions to the Budget were that it was "not bad." Share prices edged ahead in late trading after the Chancellor's statement to leave the *FT 30-share index 7.1 up at 470.4.* The pound was also firm.

Mr. Healey's emphasis on resisting inflationary influences, his slighter stricter target of 8-12 per cent. for the control of money supply and the 1 per cent. rise in minimum lending rate attracted a good deal of attention.

There was some doubt whether the Chancellor's hope for a fall in gilt-edged interest rates later this year was justified. However, against the continued anti-inflationary background, present yields on long-dated Government stocks are considered attractive enough to make small rises likely this morning in gilt-edged stocks, which were not traded after 3.30 p.m. yesterday.

In the share market, there was relief that no general increase was being made in excise duties or VAT.

In the drinks sector Distillers ended 6p up at 181p, while Imperial Group added 3p to 77p in tobaccos. Among leading industrial shares, ICI closed 2p better at 355p, Beecham 10p higher at 650p and Glaxo 13p up at 528p. Marks and Spencer edged up 1p to 148p.

Relaxations in the rules for capital gains tax were also seen as providing some incentive for the small investor to take more interest in the market. There was considerable disappointment, though, that Mr. Healey had not reduced the highest rates of income tax in a way which could have provided a spur to wealthier entrepreneurs to undertake further industrial ventures.

In the money markets, the increase in MLR had already been discounted to a considerable extent and upward adjustments were limited. The rate for three month prime commercial bills, for instance, moved up by only about ¼ per cent. to some 7¼ per cent.

DEBT REPAYMENT

Healey spreads the load

THE NEW moves announced in the Budget for the early repayment of some of Britain's large official borrowings from overseas and the raising of a new loan in New York mark an important step forward in the Government's policy of spreading the burden of repayment. This was started last autumn when Britain faced debt repayments of $20bn. before the end of 1984 with loans of between $3¼bn. and $5½bn. maturing in each year between 1980 and 1982.

Most of this debt has been raised—either by the Government itself or by various public sector bodies such as nationalised industries—in the last five years in order to finance the large current account deficits of 1974-76 and the capital outflows during the sterling crises of 1976. In face of this large burden of debt repayment, and in particular its concentration during the early 1980s, the Government faced a difficult choice of economic priorities.

Repaying all the debt from current acount surplus would involve a very tight restraint on the rate of growth of domestic output: after all the estimated surplus of £750m. this year ($1.4bn.) would be less than half what would be required to cover repayments in the early 1980s.

As Mr. Healey pointed out, repaying the whole of the debt would add to the problem of current account imbalances in the world and would not be consistent with the need to expand the U.K. economy. The extreme view of this position, which is held by the Labour left-wing but not by the Government, is that the U.K. should not be concerned at all with maintaining a current account surplus since the borrowings should be capable of being refinanced fairly easily in a world of oil-producer surpluses.

On the other side, it has been argued—for example by the Bank of England—that while there is scope for new borrowing it is necessary to provide for a net reduction in debt on a scale that is appreciable in relation to maturing obligations. This makes it desirable for the current account to remain in surplus.

Mr. Healey stressed yesterday that the Government's aim was to combine net repayment of debt year by year with new borrowing to spread the maturities. He did not spell out what this meant for the current account though he has previously indicated that the Government is aiming for a surplus over the next two years. The implication is that there may have to be a reduction in the official reserves in years, such as 1978, when repayments are more than the current account surplus. But total reserves of more than $20bn. do provide a cushion to allow this and to permit intervention in the case of pressure on sterling.

The Government initiated this policy of spreading the burden of debt repayment last autumn and since then about $1bn. of public sector debt, covered by an exchange guarantee from the Government, has been repaid, or will shortly be repaid ahead of the due date.

In addition, the Government revealed in January the proposed early repayment of $1bn. of the U.K.'s borrowings from the International Monetary Fund and Mr. Healey announced yesterday that a further $1bn. is to be repaid early to the Fund this year. This means that just over a half of the U.K.'s borrowings from the Fund will have been repaid.

When these early repayments of $3bn. are added to the total of nearly $1bn. of official borrowings anyway maturing this year this means that $4bn. out of $20bn. originally due by 1984 will have been repaid this year. This is three times the estimated current account surplus for 1978.

The result is that the bump of debt repayment in the early 1980s has been flattened noticeably, though hardly yet removed. Although precise figures are not yet available, the effect of the moves so far announced is that instead of £3¼bn. due in 1980 the figure is now about $2½bn., while the 1981 total has been reduced from $5¼bn. to just over $4½bn.

On the other side the Government has been arranging new finance with maturity dates after the early 1980s. A total of about $630m. has been raised, or negotiated, mainly from various EEC institutions. Mr. Healey yesterday announced that a bond issue is to be made by the Government in the New York market in two tranches of 7 and 15 years This is significant both as a contribution to the general refinancing programme and as an indicator of the U.K.'s increased financial standing. The British Government would probably have felt unable to go ahead without the triple A rating awarded by the U.S. rating agencies.

Mr. Healey was still on his feet in the House of Commons when Britain filed its registration statement for the bonds with the Securities and Exchange Commission. The borrowing marks a striking departure in British borrowing policy. Though few details are yet available, it is being awaited with considerable interest in New York.

The offering consists of two tranches, the first of $200m. in seven-year bonds, due in 1985; the second of $150m. in 15-year bonds due in 1993. The bonds are to be offered in early May, and are being underwritten by an international financial group headed by Morgan Stanley, First Boston Corporation, and Salomon Brothers.

The price of issue will not be known for a week or two, and the underwriters to-day refused to comment on possible yields.

However, the two key U.S. ratings agencies, Moody's and Standard and Poor's have given the bonds a triple A rating, the highest awarded. The fact that their rating was qualified as provisional is not expected to have any effect on the final rating.

Although Britain has in the past been reported to be interested in borrowing on the U.S. capital market, it is the first time since the war that it has actually taken the step. (A year or two ago it was widely reported to have withdrawn after learning that it would not receive a triple A. The fact that it now has this rating is an indication of the improved British international financial standing.)

Because Britain is not a regular borrower in New York, the terms and performance of its bonds will be awaited with interest. Two major international borrowers, Australia and Canada, have come to the U.S. market recently and though conditions are not strictly comparable, the terms they received might provide indicators. Last November, Australia raised $125m. in seven-year bonds. They were issued at par with a coupon of 8.25 per cent. However, the bond market has greatly weakened since. Terms would be different now.

Peter Riddell and David Lascelles

CASH LIMITS

Moves towards closer alignment

IT IS now two years since cash limits were introduced as an instrument of short-term financial control on public spending. They have been applied to about three-quarters of the central government's voted expenditure, the capital spending budgets of local authorities, regional water authorities, and similar bodies, and the external financing requirements of the nationalised industries. The principal exceptions are programmes such as social security benefits and regional development grants where, once the policy and rates of payment have been set, expenditure is largely determined by the flow of applicants.

A White Paper setting out the forthcoming year's cash limits has thus become an established part of the annual spring budget ritual. But these documents have so far tended to be singularly uninformative: they merely set out the limits for each of the 122 blocks into which cash-limited programmes have been divided for 1978-79.

An innovation this year, however, is a table comparing for central government programmes the cash limits with the equivalent provision in the 1978-79 supply estimates.

From this, it is possible to calculate the allowance which has been made for pay and price increases between last month, when the supply estimates were published, and outturn prices (throughout the financial year from now until March 1979). This "inflation allowance" varies from block to block according to its cost make-up and other factors. For the health service, a figure of just over 9 per cent. has been allowed. The average for all 122 blocks is around 7 per cent.

Separate ways

This change is a move towards a closer alignment of cash limits and the supply estimates. At present public expenditure figures are presented in three separate ways: in volume terms in the annual public expenditure White Paper for three to five years ahead; in the spring supply estimates (and later supplementaries) at prices then ruling for the coming year; and in budgeted outturn prices in the cash limits White Paper for the coming year.

Apart from changes in the way in which central government programmes are arranged in the supply estimates, the main question to be decided will be whether the whole of the cash limited programmes would be presented in the spring or only a substantial part with supplementaries coming later when inflation prospects for the rest of a year are clearer.

Cash limits were intended to assist in the control of government spending. Their main effect so far has been to contribute substantially to the recent shortfall in public expenditure (they were responsible for about half of last year's undershooting).

To some extent a shortfall is inevitable. Cash limits are intended to be a ceiling, not a target. Furthermore, departments may tend to be cautious in making their estimates in order to guard against uncertainties. A shortfall provision of £1bn. a year has accordingly been allowed in the latest public expenditure White Paper.

The Treasury believes however that growing familiarity with the system will gradually bring about a closer match between estimates and outturn. It has already assumed that the final outturn for last year will show a smaller shortfall in central government programmes than the 3½ per cent. registered in the first half. As time goes on, too, the Treasury itself should be better able to judge which departments put up the less reliable figures.

Colin Jones

INCOMES POLICY

Partly what the unions ordered

If the Government has firm plans to carry its pay restraint apparatus into next year, the Chancellor gave no hint of it yesterday.

This time there were no strings attached to the tax cuts, and Mr. Healey contended himself with emphasising that falling inflation and his tax reductions meant that wage bargaining could be conducted against the background of a real increase in living standards.

"*I do not call in this Budget* for any sacrifice," he said.

As expected, he is to seek early talks with the TUC and CBI on the economy. And while the rate of earnings increase, he said, would be particularly important from now on, he said those talks would be to see what the "proper policies" should be *on both pay and prices.*

Although the total Budget stimulus was only somewhat over half what the TUC was looking for—and particularly disappointing for the unions on *public expenditure*—his treatment of income tax and reintroduction of a lower rate band of 25 per eent., was both in size and kind, almost exactly what the TUC ordered.

There were other concessions too, on child benefit, the age allowance, school meals and milk, and money for getting new *hospitals into operation.* An extension of job subsidies had already been announced by Mr. Albert Booth, Employment Secretary, along with the deal *with the EEC on changes to the* Temporary Employment Subsidy.

The Chancellor said that although the present voluntary policy had checked the earnings rise more than its critics expected it was still too high. The increase in wage costs would have to be much lower in the next round than this, or the budgetary stimulus would be ineffective. But he also observed that the main responsibility for wages must lie with trade unions and employers.

Such success as the present 10 per cent. limit has had owes much to the uneasy acquiescence of the TUC and to a majority decision of its General Council not to take up arms against its enforcement.

But a campaign is now being mounted by the Transport and General Workers Union to turn *that acquiescence into positive* revolt if the present tactics of setting an earnings target and employing sanctions against employers for its enforcement is tried again.

Only when yesterday's Budget has been properly digested by the unions, and the summer conferences get under way — starting with the Scottish TUC next week — will it be clear how much support that campaign draws.

Few union leaders would join Mr. Sid Weighell of the National Union of Railwaymen in advocating some formal arrangement, with a monitoring body to determine how the wage increases are to be shared in the next round. But quite a number seem ready to live with, if not support, another unilateral pay policy provided that it is genuinely flexible. None believes that the imposition of a ceiling, as in the present round, would work again.

Ministers themselves had *planned at the start of the present* round to lift the lid gently, by allowing productivity deals outside the guidelines, and waiving th erules in deserving cases. The first part has gone *ahead, but the second scarcely* at all.

In this sense, the "orderly return to free collective bargaining" has been slower than was expected.

The Chancellor's main calculation as he sits down with the TUC must be whether—at least *in the private sector*—he can loosen the wages corset, if not remove it entirely, and let the trade unions get on with their traditional bargaining job. He *could even decide the time is* ripe for a continental experiment in pay planning—an incomes policy which is not merely a wage restraint policy.

Christian Tyler

CIGARETTES

Industry dismayed at health tax

Relief that the Chancellor had decided not to impose further general tax burdens on drinks and tobacco was tempered with dismay in the tobacco industry at the imposition of a so-called "health tax" of 7p on a pack of cigarettes delivering 20 milligrammes of tar or above, and in the drinks industry that no credit period had been introduced on duty which still has *to be paid immediately on with*drawal from bond.

The industry's reaction to the surcharge on higher tar brands could take several forms. First, those cigarettes which are on or just above the dividing line can be changed to reduce the level of tar delivered and so escape the tax. Secondly, the industry can absorb some the increase. Both Imperial, which owns Wills and Player, and Gallaher with Benson and Hedges, Senior Service and Park Drike, have kept prices of plain cigarettes high.

This was in deference to Mr. David Ennals, the Health Secretary, on the *change of the tax* structure on January 1 this year. This based tax on a specific amount per thousand cigarettes plus a percentage of the *retail price plus* VAT, rather than the old British system which was based on the weight of tobacco used.

Promotion

So plain cigarettes could have come down in price, but only *Rothmans,* whose *Piccadilly* plain is now below 20 mg. chose to pass on any of the saving to the customer.

Imperial and Gallagher may *now consider following suit,* especially as both believe that the imposition of the surcharge breaks the spirit of a three-year agreement with the Government to reduce the overall level of tar deliveries and to end promotion of high tar cigarettes.

In the last ten years the average tar *delivery of* cigarettes has been reduced from 34 milligrammes to 17.5 and in the last five years the share of the market held by cigarettes now affected by the surcharge has fallen from 74 per cent. to 14 per cent.

Both companies feel that they should have been given longer than September 4 to bring down gradually the level of tar in any particular brand. Neither likes the added element of coercion.

It is also clear that Mr. Healey has eagerly seized the opportunity to satisfy the anti-smoking lobby by imposing as soon as possible the maximum surcharge under the derogation negotiated by Britain with the EEC health and finance ministers before Christmas. At the same time he has kept the majority of smokers happy.

Stuart Alexander

PROFIT SHARING

Pardoe's point for participation

When the Lib-Lab pact led the Government early in February to launch its consultative document on profit sharing, it was clear that one of the three systems of employee share ownership spelled out in the document had considerably more political promise than the others. It was called Method III, and it was the one designed by Mr. John Pardoe and other leading Liberals after they had seen the first two schemes proposed by the Inland Revenue.

Now Method III has received *the formal* blessing of the Chancellor in his Budget speech. He also announced that the income tax concessions involved, which will be spelled out in the Finance Bill, would operate from the next financial year (1979-80), and that there would be a limit of £500 a year to the value of shares which could be allocated to any one employee. This top limit, he said, was to ensure that the system would "not simply give relief to the highest paid." years and on only 25 per cent.

Under all three methods in the consultative document a company's full workforce would be eligible (so excluding, for example, schemes designed specially for senior executives). They all involved the share ownership form of profit *sharing, and so did not envisage* new tax concessions where a company simply gives employees profit-related cash handouts. This was so to take account of the Liberal Party's *primary* interest in making employees shareholding-partners in a company.

Method III involves a company making a bonus allocation of up to £500 per employee each year which would be used, through specially created trusts, to purchase shares at full market value. The shares would have to be held for five years. The main concession involved would be that income tax would not have to be paid on the initial value of the shares till they are sold, and then only on a gradually reduced amount —on 50 per cent. of their acquisition *cost after five to ten* after ten years. Capital Gains Tax would however be payable on profits above the acquisition cost. While the shares would be held by the trust, all dividends and voting rights would be held by the individual employee.

The other two options involved fewer tax concessions. One was primarily based on the shares being available at a discounted price, coupled with some income and capital gains tax advantages. The other did not involve any bonus handout, which meant that employees would have to find their own money to acquire shares.

Method III is the option which has received most general support from those organisations, ranging from the Confederation of British Industry and the Engineering Employers' Federation to the British Insurance Association and the Stock Exchange, which have put their views into the Inland Revenue during the past two months. But there have *also been calls for companies to* be given as much flexibility as possible, and the Government will probably continue to come under pressure to include more than Method III in its Finance Bill. The CBI would like to see all three methods included.

Other suggested changes which have been submitted have included a proposal from the CBI that the maximum should be raised from £500 to £1,000 a year, while the EEF said the qualifying periods for tax concessions should be reduced from five and ten years to two and five.

The British Insurance Association said it liked Method III because it was simple for employees to understand and did not discriminate against existing shareholders by requiring shares to be issued at less than market price. The Consultative Committee of Accountancy Bodies said Method III was "likely to be favoured by employers despite the likelihood of considerable administrative burdens on the com*pany*."

The Government has also been asked by various organisations to give existing shareholders the right to decide whether their company should start an employee share ownership scheme, and to find some means of protecting employees against losses since their savings would be committed to the companies which employ them.

The CBI and other organisations also want the schemes enlarged to involve the *employees of* companies without quoted shares. Their objective is to ensure that employees of foreign-based multi-nationals and close companies are not excluded. In addition, they want a group of companies to have separate schemes for individual *unquoted subsidiaries so as to* make the share bonuses as closely identifiable as possible with an employee's place of work so as to bring out as much as possible the participation aspect.

John Elliott

SMALL BUSINESS

Minor relief for capital gains

THE CHANCELLOR announced two very welcome capital gains reliefs which will be of help to businesses.

At present, when an individual or a company guarantees a bank overdraft on behalf, say, of a businessman or an associated company, no tax relief is available if the guarantee is called upon. Now, subject to meeting certain conditions, it seems that the guarantor will be able to claim payments under a guarantee as an allowable capital loss.

The other relief relates to loans made to businesses. At present, such loans do not normally fall within the capital gains tax provisions, and the Revenue has always resisted representations for them to be brought within those provisions, *possibly because loans would be* more likely to result in losses than gains. However, it now appears that the Chancellor has at last relented.

The detailed legislation on these reliefs is likely to be fairly complex, to ensure that artificial capital losses are not created and that gifts are not dressed up as loans in order to obtain loss relief.

● The Chancellor has extended the application of the special corporation tax rate of 42 per cent. applicable to companies with small profits.

Previously, the rate applied if profits did not exceed £40,000. This level has now been increased to £50,000. Also, marginal relief is available if profits are above £50,000, so that the full 52 per cent. rate only applies to profits above £85,000. These changes relate to the year ended March 31, 1978.

In line with the capital gains tax charges made for individuals, a charge has also been made *in* connection with the effective rate of corporation tax on chargeable gains of authorised unit trusts and approved investment trusts. This has been reduced from 17½ per cent. to 10 per cent. for the year ended March 31, 1978.

● During the committee stage of the 1977 Finance Act, Treasury Ministers promised to see whether tax reliefs could be given to those of the self-employed who work abroad a substantial part of the time. The Revenue document published November 4, 1977 looking at the feasibility of this, indicated that there could be no equivalent for the self-employed to the employees' 100 per cent. tax freedom for absences of 365 days or more.

Secondly, because any scheme would be complex to administer, it might well need to be restrictive — perhaps limited to individuals spending 180 days abroad rather than the 30 days which trigger relief for employees. The proposals now put forwards specify 60 days abroad as the minimum number to qualify.

The complexities of the proposals, and the Revenue document made much of them, stemmed from the question whether days of absence in a fiscal year should provide tax relief in that year or in the later one during which its profits were taxed. Here the revenue indicates that absences in 1978-79 will give relief in that year, calculated in whatever profits fall to be assessed for 1978-79.

The Revenue's view of the relief and its value was discussed against a background assumption that the individual would always receive his tax advantage at the time the twice-*yearly tax bills were paid* — an assumption which fails to recognise that there can be very few partnerships in this country which allow partners to draw their shares of profits gross.

Tax relief for an individual partner needs to be distinguished *from* its effect upon the cash held by the partnership as part of its working capital prior to paying it over to the Inland Revenue.

● The relief mis-described as retirement relief is one which presently exempts from capital gains tax the first £20,000 of gains realised by an individual over 65 on the sale or gift of his business. Retirement is not a pre-condition.

The Chancellor has now increased the tax-free figure from 20,000, at which it had stood since 1974, to £50,000. The proportionate figures for a taxpayer over 60 but under 65 at the date he disposes of his business are £10,000 per annum.

What the Chancellor has not promised is a review of the section *itself—it* is renowned for obscurity and arbitrariness. For an unincorporated business it deals only with gains on those assets which are themselves of a type within the capital gains tax. For ncorporated businesses the relief frees only a part of *the gain on the shares; that part* related to the chargeable assets owned by the company itself. The formula which sets out this concept often results in the unexpected.

David Wainman

SOCIAL BENEFITS

Child benefits cut the poverty gap

MR. HEALEY has not quite met the demands of the poverty lobby, but he has provided sufficient [illegible] for an election address on the theme of "we gave you the children's Budget." There are three principal elements to this.

The first is, of course, the increase in Child Benefit. A recent addition to the system of social security, Child Benefit replaces the old Family Allowance, with a significant difference: It is not taxable. In theory it is financed by the phased withdrawal of the tax allowance for children, but in practice part of its cost has been met by the Exchequer as a whole.

Until *this month* the benefit was worth £1 for the first child and £1.50 for each succeeding child, plus an extra 50p for the first child in one-parent families. In a two-child family this put £130 untaxable cash a year into the mother's purse.

From this month the benefit is increased to £2.30 per child, plus a £1 bonus for one-parent families. That same mother of two children, in a two-parent family, is now cashing weekly chits to a total value of £239.20 a year at the Post Office.

Mr. Healey's Budget puts that total up to £312 in November —£3 per child and a £2 bonus for one-parent families—and £4 per child or £416 per year for the two-child family next April. Thus in one year the cash value of child benefit for the average two-child family will have increased by 220 per cent.

This is still not quite what was asked for by the TUC, which wanted £3.30 this November, or the "Low Pay Unit," an organisation similar to the "Child Poverty Action Group," which has been talking about a rise to £4.50 ("at constant prices"!) next April. The reasoning behind the pressure for such increases has been sound, even if the figures have been a trifle optimistic.

First, successive Budgets over the past ten years have reduced the value of income transfers paid to families relative to those paid to pensioners. The value of child tax allowances and family allowances (latterly child benefits) fell from 9.6 per cent. of average gross income for a two-child family in 1964-65 to 5.9 per cent. in 1977-78. The Budget increases should certainly start to reverse that trend.

Second, increasing payments to families, based on the number of children, is a direct attack on poverty in an area where it is most easily discernible. Third, an untaxable payment of this kind bridges the "poverty gap" since it is paid when you get a job. Social security benefit is paid net of child benefit; the incentive effect would be strongest if the latter could one day be made significantly greater than the former. The benefit is, in short, part of the foundation of a system of negative income tax.

Child Benefit apart, the Chancellor has also attached some *window-dressing to his* "Children's Budget." The cancellation at the proposed increase in the price of school meals in November will mean a transfer of some £68m. from "contingency" to "education" (a small part will go to extra milk) but we are surely only an election away from the restoration of this cut.

For the cancellation is in direct contradiction of the January Expenditure White Paper's statement that its forecasts allow for a "progressive reduction" of the subsidy on school meals by 1980. Last autumn the school meal charge was raised to 25p, which is about *half the average cost. The in*evitable widening of that gap over the next year will presumably mean a greater proportionate increase in the charge later on.

Perhaps the most electorally potent of all the "Children's Budget" measures is the announcement that in future local authorities may, if they wish, provide free school milk to children aged between 7 and 11. It was the withdrawal of this service that led to the cry "Mrs. Thatcher—Milk Snatcher" *when the Tories were in office;* it is the EEC subsidy for school milk that makes restoration relatively cheap.

If all local authorities take up the opportunity the net extra cost could be £13m. in a full year, assuming that the Community accepts the proposed higher rate of subsidy (equivalent to 4½p per pint against the present 3p). On this basis the EEC contribution would be £15.3m., two-thirds of it from the levy on the British dairy industry.

The January White Paper based its forecasts of spending on school milk on the present rate of subsidy, as introduced in May 1977. The scheme runs for five years from that date and provides for a Community contribution to member states' school milk programmes.

Other social goodies in the Budget package will be described in full electoral detail by the relevant Ministers in turn: for example, the £50m. on a health budget of £6.2bn. (a difference of immense insignificance), or the more useful, and children-oriented £40m. for school and college building. *Meanwhile, Mr. Healey has with*out doubt taken a step forward on Child Benefits (which should now be uprated annually since the tax allowances they replace are not themselves there to be indexed) and if he has added some flim-flam to that, this is not a year in which such an approach could be regarded as unexpected.

Joe Rogaly

FARMING

Campaign pays off

FARMERS COULD pay less tax as a result of the Budget concession allowing them to average their income over two years when profits fluctuate by 30 per cent. or more. And, Mr. John Silkin, Minister of Agriculture claims, they will be encouraged to invest in new buildings and farm improvements by the measure allowing them to claim tax relief in the first year of up to 30 per cent. of the cost investments, writing off the remainder at 10 per cent. a year over seven years. At present allowances for farm buildings or works are granted at ten per cent. a year over ten years.

The National Farmers' Union, which has campaigned for a tax averaging system for more than 30 years, gave a warm welcome to the Chancellor's concessions.

"The NFU considers this to be a good budget for the farming industry," a statement said in a rare display of enthusiasm.

"The improvement in the agricultural buildings allowance should encourage a more balanced approach to investment in the years ahead."

Farmers are also expected to benefit from the proposed deferment of capital gains tax on the gift of business assets and raised retirement reliefs.

Mr. Silkin said of the tax averaging scheme: "This reform should both help to release additional funds for investment since farmers will pay less tax through the evening-out of the peaks and troughs in their profits; and help them to plan their investment better, by removing the need to take over-hasty investment decisions in years of high profits."

But he stressed that the measure would apply only to working farmers. Farm companies would be excluded, and the relief would not apply to landlords' incomes from let land.

The new capital allowances will match to some extent the 100 per cent. depreciation granted on all machinery purchases.

John Cherrington and Christopher Parkes

PENSIONS

Rise on the earnings tide

THE Government is announcing the annual pensions uprating *early this year,* with the rate for a single person being increased from November by £2 per week to £19.50 per week and that for a married couple by £3.20 per week to £31.20 per week. In each case this represents a 11.4 per cent. uplift. The cost is around £500m. in the current year and £1.3bn. on the full year. The new rates of other social security benefits, with the costs, are being announced to-day.

Increases in old-age pensions are entirely separate from other changes announced in the Budget in that the Government has a statutory obligation, under the Social Security Act 1975, to revalue social security benefits at least once a year to maintain their value. It is not even necessary for the increases to be announced in the Budget. The last year's increases were dealt with separately.

Under the Act, the responsibility for uprating the benefits rests with the Secretary of State *for Social Services. He has to* revalue pensions and other long-term benefits in line with earnings or prices, whichever is the more favourable, and short-term benefits, such as unemployment and sickness payments, in line with prices. But the Treasury has considerable influence in the decision-making over the level of increase. The pension costs *had been allowed for in the* January White Paper on public spending.

The objective of laying down this method of revaluation is to ensure that pensioners share in the rising living standards of the country, but underpinning the pension so that it does not lose its purchasing value. For the previous two upratings, increases have been based on forecast price movements since, because of pay policy, prices had moved ahead of earnings.

But now the situation had returned to that of earnings moving ahead of prices and hence the increase has to be based on earnings movements. It was revealed late last month, that there had been a dispute be*tween the Treasury and the* Department of Health and Social Security over the extent of the rise. The Treasury wanted the increase limited to the expected rise in earnings, while the DHSS was pushing for a much higher rise.

It would appear that the Treasury view has prevailed. The 11.4 per cent. increase is more or less in line with forecast earnings over the 12 months from last November, the date of the previous uprating. Even so, this represents a 4-point real rise in pensions as quoted by the Chancellor, but it will not alter the level of pensions as a percentage of national average earnings.

The Chancellor's announcement has also confirmed the Government's intention that pension rises will not occur more frequently than once a year, despite pressure from various pensioner groups that annual rises cause undue hardship and that a six-monthly increase would provide greater protection against inflation.

Eric Short

CAPITAL GAINS TAX

No inflation-proofing

TWO YEARS ago, after an internal examination within the Inland Revenue of the possibility of inflation-proofing capital gains tax, the Chancellor concluded that he could not justify it. He could not contemplate protecting from inflation the value of deposits held in savings banks and the building societies and he therefore did not feel able to offer inflation-proofing to the beneficiaries of capital gains.

To anyone who studied the discussion document the con*clusion comes as no surprise.* Although the Minister of State at the Treasury (Mr. Denzil Davies) had undertaken to look sympathetically at the problem of the taxation of gains which were only money and not real, both the Minister and the dis*cussion documents* stressed that any solution must be "as uncomplicated as possible, so that it will produce as few administrative problems and as little extra work as possible for both the Civil Service and the ordinary citizen."

The document itself examined two main possibilities: a tapering relief and indexation. The gain on a disposal, it was considered, might be reduced by one-tenth for each complete year since the asset was acquired, so that the gains tax would have ceased to operate for assets held over ten years; or alternatively, the acquisition price might be indexed. The first would have been an extremely rough and ready measure of inflation proofing, applying to gains whether they resulted from inflation or not. The second, provided a satisfactory index or set of indices could be found, was concerned precisely with inflation.

But both measures gave rise to complications. For example, each required that the precise date of acquisition should be matched against disposal; wherever holdings were not bought or sold in their entirety (as often with shares and land) this would be difficult and would cut across existing share-pooling schemes. Similarly roll-over provisions would become much more complicated to apply. The tone of the document suggested that no solutions could be discovered which met the criteria of simplicity and avoidance of extra work.

Instead the Chancellor has fallen back an another suggestion in the discussion document which has nothing to do with inflation as such but just seeks to mitigate the impact of capital gains tax. He proposes that the first £1,000 of net annual gains for individuals should be exempt, with a lower rate of 15 per cent. on the gains between £1,000 and £5,000 and marginal relief for gains *between £5,000 and £9,500.*

This new measure would replace the present provision (which the Chancellor said was not widely understood) by which, where it is to the taxpayer's advantage, half the year's net gains up to £5,000 and the whole of any excess are, in effect, treated as income, instead of the whole gain being charged at 30 per cent. Another change of principle is in the form of exemption. At present gains are exempt where the total *disposals* are under £1,000. Henceforth the exemption limit relates to the value of *gains.*

It is a paradox that this is a measure which is preferred to comprehensive inflation-proofing on grounds of administrative complication and cost for taxpayer as well as revenue: for exemption by reference to disposals was first introduced in 1971 instead of exemption by reference to gains precisely in order to reduce compliance costs to the taxpayer.

It had been found that not infrequently taxpayers (or potential taxpayers) had had to pay heavy bills to professional advisers to work out their net capital gains simply to establish that these were below the exemption limit and that they were not liable to tax. Such situations will now recur, though the level at which the exemption is set will make a big difference. Clearly, anyone with annual disposals under £1,000 *(the present exemption)* must necessarily be free of tax under the new proposal for exempting gains under £1,000.

The upshot of the proposed changes is a substantial reduction in capital gains tax liability for individuals whose annual net gains rise to quite a sizeable figure, the concession being greater for high income receivers than for basic rate payers, since the latter benefited from the replaced "alternative charge."

As to the general principles, the Chancellor has once again resisted measures which would have moved the tax system in the direction of thoroughgoing indexation. Further, he has done so in part on the basis of an argument which he has flagrantly ignored in the past, notably on VAT

Cedric Sandford

TAX AVOIDANCE

Mauled but not knocked out

THE CHANCELLOR'S attack on the tax avoidance industry is not entirely unexpected, although the industry had hoped it might escape with a less savage maul*ing. Tax planners have played* a cat-and-mouse game with successive Chancellors. No sooner would one avoidance scheme be legislated against than the planners would produce another. Secrecy could usually ensure that it would be effective for *two or three years, the time* taken before full details came to the attention of the Inland Revenue. Because Parliament dislikes retrospective legislation, the normal procedure was to legislate only against schemes entered into after the date of *the announcement that they* were going to be attacked.

Mr. Healey has now decided that the "time has come not only to stop the particular schemes we know about but to ensure that no schemes of a similar nature can be marketed in future." Consequently he has decided to make an example of one of the schemes he will be blocking in the forthcoming Finance Bill. This particular scheme is "commodity straddling" and *Mr. Healey* is proposing to block it retrospectively to April 6, 1976, about 19 months before the date when the intention to *legislate* was announced. Commodity markets in order to re-use of transactions on the commodity markets in orders to reduce the liabilities.

Typically, an individual who, for one reason or another, expects to have an abnormally high tax *liability* in a particular fiscal year might benefit from these transactions. If the large tax liability relates to 1977-78, he might in, say, February 1978, enter into two separate commodity transactions, one for a future purchase, the other for a future sale.

Provided the price of the commodity moves between then and the end of the accounting period—say April 5, 1978—the individual would find that one contract at that date was show*ing a profit and the other a loss.* On normal accounting and tax principles he could take relief for the unrealised loss but does not have to bring the unrealised profit into those accounts. Shortly after April 5, he would terminate both contracts and in *cash terms* the two contracts should more or less cancel one another out. The realised profit then becomes taxable in 1978-79 but the taxpayer's other income would probably be much lower in that year than it was in 1977-78.

This basic scheme does not seem to have been attacked. What has been attacked, however, is a variation involving the individual joining partnership, with a company to carry out the transactions and then leaving the partnership before the contracts were terminated. The object of this was to enable the individual to escape taxation on the ultimate profit on the futures, while still obtaining relief for the loss.

The second scheme being attacked will be dealt with along more traditional lines. The proposal to plug a loop-hole under the tax law relating to relief for payment of premiums in lieu of rent was in fact foreshadowed in a statement made by Mr. Joel Barnett in Parliament on December 3, 1976. It appears that the Treasury first became aware of the loop-hole in late 1976. In broad terms, it was possible for businesses with large taxable profits to eliminate or reduce their tax liability by artificially creating a large deduction for offset against their profits. It was done by selling a property and shortly afterwards buying it back at a much lower price.

Present legislation says that in this situation the first vendor will be taxable on the difference between the sale price and the re-purchase price. The second seller is entitled to a corresponding deduction against his taxable profits. The first vendor needed to be a business with large accumulated losses that could not otherwise be utilised for tax purposes. The second seller had to be a business with substantial current trading profits. This business would initiate the scheme in order to wipe out its tax liability. This loophole is closed from December 3, 1976.

The remaining tax avoidance schemes dealt with by Mr. Healey will be counteracted with effect from Budget Day. Both relate to Capital Transfer Tax. One of these devices he *described as "avoiding the CTT* charges on discretionary trusts," but he did not go into further detail. The other appears to be an insurance scheme, whereby use is made of life assurance policies to obtain a tax-free annual income for an individual and at the same time to reduce his estate for Capital Transfer Tax purposes.

The Chancellor did not take the opportunity to make all his anti-avoidance provisions retrospective. Hence the tax avoidance industry may regard his comments and actions as an amber light rather than a red light, but it would be foolish to under-estimate his determination to eliminate artificial avoidance schemes.

Cedric Sanford

SAVINGS

New National Savings Certificate

AMONG OTHER measures to finance the Public Sector Borrowing Requirement, the Government is to issue a new National Savings Certificate to replace the current 14th issue. However, the return to be offered on the new issue will be lower than that available on the current issue. Annualised over the four-year life of the certificates, the return on the new, 17th, issue, will be equivalent to 6.8 per cent., as against the 7.6 per cent. available on the current issue.

When the 17th issue is introduced in June however, the 14th issue will be withdrawn—though the index-linked retirement issue now on offer, the so-called "granny bond," will be unaffected by the change.

It is a measure of the attractions that the Treasury expects the new issue to have by the time that it is introduced, that the maximum holding has been set at the highest ever, at £2,000 for each individual. The maximum permitted holding of the current, 14th, issue is £1,000.

The return on National Savings Certificates comes by way of increments which increase its value during its life: these increments rise steeply towards the end of the four year period. The gain is free of income tax and capital gains tax, so that this is a vehicle of savings with big attractions for higher-rate taxpayers.

Even for a saver paying tax at the basic rate, however, the 10.27 per cent. grossed up return on the new issue of certificates will have its attractions. It is considerably better than the 8.5 per cent. gross now available on the National Savings Bank's investment accounts, for example, or the grossed up 8.3 per cent. available on a building society's ordinary shares.

Better still, however, is the 11.5 per cent. (grossed up for someone paying tax at the basic rate) still available on the 14th issue. The prospect of its withdrawal can be expected to produce a big demand during the final two months of its existence—possibly a demand to compare with the really dramatic volume attracted by the 16th issue in the final weeks of its existence in March 1977.

The Chancellor's comments on the role of the certificates in helping to finance the Public Sector Borrowing Requirement underlines the changing function of the Department for National Savings. Its original purpose, to provide readily accessible savings vehicles for relatively *unsophisticated con*sumers, has been modified in recent years as it has proved itself capable of raising really large sums of money

These inflows, originally only an incidental consequence of the slowness with which the rates of interest on National Savings vehicles fell relative to those of the market as a whole, have now become an object in themselves. The Department for National Savings is, however, still confining itself to the pursuit of the individual saver, rather than the institutional middleman: and last year a £50,000 limit was placed on the amounts which might be deposited in a National Savings Bank investment account, with a view to deterring just such institutional depositors.

Unlike the deposits made with the National Savings Bank, which are invested in gilt-edged stock to produce a rate which may change as conditions within the market change, National Savings Certificates are Treasury securities, *whose rates and terms are set* in Whitehall. Including accrued interest, there is at present £4.14bn. invested in National Savings Certificates, as against £9.91bn. in National Savings as a whole.

Adrienne Gleeson

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Wednesday April 12 1978

Reasonably cautious

IF YESTERDAY'S Budget is seriously intended to be Britain's contribution towards ending the international recession, it is a modest one. At the moment it could hardly be more. The economic forecasts on which it is based are even more unreliable than usual, but there is no getting round our high propensity to import manufactured goods or the fact that it may prove difficult to hold down earnings as output rises. The assumptions that "average pay increases in the year beginning in August, 1978, are about half the average for the current pay round" and that retail prices rise by 8 per cent. between the second quarters of this year and next are at least questionable. But the fact is that the net effect of the Budget proposals is said to be an additional ¾ per cent. on a growth rate that would otherwise have been 2-2½ per cent. Such a growth rate in itself—special measures of assistance apart—is unlikely to make very much difference to the level of unemployment.

The monetary aspect of the Chancellor's economic policy was stressed almost as much in his speech as the purely fiscal aspect—rightly, since the reaction of the financial markets will be important over the next few months. The new target rate for growth of sterling M3, just slightly below the present one (which has been just slightly exceeded over the year as a whole) will probably be generally acceptable.

Financing

The fact that this new target is to be reassessed in the autumn and lowered if possible will also be welcome: there is no hint that a rolling target is to be one that simply adjusts itself to circumstances. On the other hand, the Chancellor has landed himself with a financing problem in the form of a large public sector borrowing requirement. Although he may hope to undershoot the estimate as comfortably as he did in the last financial year, the same special factors will not be at work and the effect of tighter controls on public expenditure may begin to wear off as time goes by. Mr. Healey hopes to borrow more from companies and individuals, and may be successful. But with the demand for bank credit likely to increase at the same time as the PSBR, he may well have monetary problems. He acknowledged as much by announcing an increase in Minimum Lending Rate at once. This was prudent, for the markets would otherwise have expected it.

The fiscal changes are welcome in general but can be criticised in detail. The statemen ton stock relief clears up an ambiguous situation for all companies. The measures that will especially appeal to the Liberals—help for small firms and tax relief for profit-sharing schemes—are probably enough to ensure that the latter, though seeking to amend particular clauses of the Finance Bill, maintain the Lib-Lab alliance.

Tax cuts

But the failure to make more than a token gesture towards the effect of inflation on capital gains liability is regrettable. There will rightly be a fuss about the decision to take retrospective action against certain tax avoidance schemes. And the commitment in advance of so much of the contingency reserve is an unfortunate relaxation (even if partly only in appearance) of the Treasury's tight grip on public spending.

As far as the reductions in income tax are concerned, there is room for criticism on the grounds of both quantity and quality. The Chancellor could have made much more substantial cuts if he had been willing to offset them by raising the duties on drink, tobacco and petrol in line with the general rise in prices. He expressed sympathy with this course, but felt himself disinclined at this particular time to do anything which actually raised prices. He would have done better to act as his sympathy suggested: the switch from direct to indirect tax has a long way to go and no opportunity of furthering it, even by a moderate amount, should be let slip. As to the quality of the income tax reductions, the Chancellor has certainly taken back out of the net many small taxpayers whom inflation had driven in. It was not, perhaps, to be expected that he would do very much for the top income-earners, though the cost would have been relatively small; more surprisingly, the effect of his proposals is to do rather little for the middle managers—incentive for them is something left over for another time.

That there will be another time, unless an election intervenes, seems likely. The industrialised countries are to meet in July to seek ways of jointly promoting economic recovery. The Chancellor presumably hopes that Britain will then be able to make a further contribution of her own.

A challenge to apartheid

MR. JOHN VORSTER, the South African Prime Minister, seems to have taken Transkei's sudden decision to break diplomatic relations with Pretoria very much in his stride. Transkei, the first of South Africa's Bantustans, or ethnic homelands, to be granted "independence," is economically and politically tied to South Africa, on which it is dependent for well over half of its annual budget. Yet in what was billed as a major speech to Parliament yesterday, Mr. Vorster threatened no retaliatory action against the Transkei government, merely emphasising that as an independent state, it would have to learn to live with the decisions it made.

Element of bluff

There would seem to be an element of bluff in this response, for whatever happens in Transkei must affect the credibility of South Africa's apartheid, or separate development policy, as a whole. The theory of that policy is that each ethnic group should have its own independence and freedom, and the Transkei's decision to cut relations not only with the country which created it but with the only one which recognises its independence shows that all is far from well.

Taking the Transkei's action at its face value, there are three major areas of disagreement with Pretoria. The ostensible reason for the break is South Africa's decision to transfer a piece of land, long claimed by Transkei, to Natal province instead of to Transkei itself. Apart from the emotional value attached to this land, that decision shows once again that Pretoria is unwilling to make geographical sense of the homelands.

But there is also great dissatisfaction in Transkei on the issue of citizenship. South Africa seemed to promise that Transkei citizens—and that is held to include Xhosa people who have never been there—would once Transkei was independent, be given a superior status in the Republic itself, as 'foreign' blacks are. Instead, there has been no change, and the bitterness has been compounded as Xhosa "squatters" in the white designated areas of the Cape Province have been forceably resettled in Transkei.

These factors underline the very circumscribed nature of Transkeian independence, and highlight what is probably the most important single reason for the decision to break relations with Pretoria: the search for international recognition. No country in the world, save South Africa, has recognised the Transkei. Clearly, by declaring that his country will now stand for majority rule in South Africa itself, the Transkei's leader, Chief Mantanzima, hopes that this will change.

Calmly taken

But it will take more than a stated change of policy by the Transkei government for this to be achieved. For however the world community may appreciate the dilemma of the black Transkeians who may charitably be said to have chosen independence to escape the daily indignities of race discrimination a decision to recognise the Transkei would in effect be a decision to recognise the apartheid policy of separate development.

This may in fact be why Mr. Vorster has chosen so far to take the rupture in relations calmly. And such is the dependence of the Transkei on South Africa that Pretoria knows that ultimately it can prevent a defiant Transkei government from getting out of control. Nevertheless, Chief Mantanzima's action will not ease Pretoria's effort to persuade an increasingly sceptical world that separate development is a viable policy for the country as a whole.

THE BUDGET

ECONOMIC ASSESSMENT

Labour's Chancellor takes a conservative risk

THIS IS a risky Budget for a probable election year; but in accordance with his temperament, Mr. Healey has probably taken slightly smaller risks than are usual in the election cycle. Unfortunately the Chancellor has also followed another election tradition: things are even less than usual what they appear to be. It is to quite a large extent a Labour Budget in Conservative clothing. Before one can assess the risks, it is necessary to do a little detective work on what the Chancellor has actually done.

As presented, this is a Budget in which tax cuts have been made possible by restrained expenditure; but once inflation and other distortions are allowed for, it is a Budget which is pretty nearly neutral in tax terms, and in which the net fiscal stimulus—if the term has any meaning in the context of a rather tight monetary policy—is obtained through public spending. It is only on the longer view which the Chancellor himself adopted that it is the taxpayer who is the main beneficiary.

The reason for this odd contradiction is, as usual, fiscal drag—the tendency of revenue to rise faster than national income as a result of inflation. One of the worst aspects of fiscal drag—the process which drags low earners into tax—was officially abolished by the Rooker-Wise amendment to the last Finance Act, which enjoined the Chancellor to index the starting point for income tax.

However the Chancellor jumped the gun and raised the threshold far enough to satisfy this test last July; the result is that comparing 1977-78 with the coming year, he had a large sum in hand for further "cuts" yesterday. The concessions he made—the lower-rate band, the rough indexation of the higher tax bands (but for one year, not two) and even the failure to raise specific duties in line with inflation—have been financed virtually entirely out of this margin. Tax revenue will rise by just over 13 per cent.—rather faster than the expected growth of national income (or for that matter, of the money supply).

However, this buoyancy is not entirely a matter of fiscal drag; part is due to the tapering off of child tax allowances, replaced, under the expenditure heading, by child benefit. So the Chancellor has, after all, helped families significantly.

However, the bulk of the stimulus to the economy is in plain old-fashioned expenditure, concealed in two different ways. £550m. is provided from the contingency reserve, with no change in the published expenditure totals or the borrowing requirement: and a further £600m.—very largely increased aid to Leyland—appears below the expenditure line, classified as expenditure on company securities. (This sum, unlike the raid on the contingency reserve, is shown in the borrowing requirement.)

To sum up, then, there is some aid to taxpayers—because payments of child benefit will exceed the rise in the real tax burden—and something approaching £1bn. of public expenditure increases, announced but statistically concealed. The net stimulus, compared with no tax changes and no inflation, is probably a little over £1bn.

An extra £1bn. of "demand" (for no account has yet been taken of the consequences of having to finance this sum) may seem a relatively modest hostage to an election—a matter of 3 per cent. or so of Government revenue; but this can only be judged against the general economic and financial background. Broadly, the Chancellor is running two risks in providing any stimulus at all at this stage of the cycle.

For what he likes to call the "real economy," the risk is on the balance of payments side. The Chancellor made some apologies for the general inaccuracy of all forecasts, as he might well do (though his predecessor performed no better); but the "central" forecast that exports will rise by 5½ per cent. in volume, in line with a rather hopeful projection of world trade, when consumer spending at home is expected to rise by 5 per cent., and spending on cyclical goods like cars by much more, looks a triumph of hope over experience.

The import forecast, which is presented oddly enough not as the Treasury's own view, but as "near to the middle of a range of views expressed recently by a number of independent forecasters: in again distinctly on the optimistic side not only of habitually gloomy but depressingly accurate forecasts such as those of Wynne Godley, but rather better than one would have epected the Treasury, on past form, to offer.

The Treasury produces not only these main or central forecasts, but a variant—with stronger trade performance. This has export volume rising by 7 per cent. while the economy grows at 4 per cent., and imports still rise by only 8 per cent., and looks very like compounding possibly reasonable optimism with moonshine. As usual, there is a missing column in the forecast—"variant with weaker trade performance."

The risk involved in moving into current account deficit during the course of next year may well not be as great as the Treasury sometimes seems to suppose, since North Sea oil will contribute a strong underlying improvement for some years yet, and a move back into surplus could be achieved by a course correction rather than by full-blown crisis measures; but unfortunately the trade performance is not the only doubtful assumption in the official forecast. A further missing column might be headed "variant with higher consumer spending."

The trouble here is not so much detectable optimism as sheer uncertainty. We are still very far from understanding the behaviour of consumers. The enormous rise in the proportion of income saved (which reached a peak of 16 per cent. in the final months of 1977), may be a lasting reaction to the enormous losses of real wealth which investors have suffered, or more transitory.

The Treasury appears to have forecast with a ruler: high savings persist, and consumer spending rises more or less in line with income. It would have been more appropriate to use a very broad paintbrush. Spending could rise by 2 per cent. or more above the forecast while savings remained at historically high levels; it could also drop somewhat below forecast if they decide that the increase in real incomes experienced this year is much too good to last.

The trouble is that the risk of above-forecast spending compounds with the optimistic trade assumptions to produce quite a significant chance of a really sharp swing of the balance of payments, of a kind that would have to be corrected very quickly. So far as the real economy is concerned, the Chancellor would almost certainly have preferred to do this year what he has done in the past, and produce a Budget which appeared expansive but was in fact mildly restrictive.

It must be stressed again that the risks here are not huge, because the stimulus is not huge; and indeed pure monetarists—who would be most inclined to expect a fall in saving and a sharp rise in consumption—might say that with a tighter monetary target, there is no net stimulus at all. The Chancellor is simply pre-empting the funds which would otherwise have enabled the private sector to expand, and the failure to raise taxes in line with spending will simply mean raising interest rates instead.

Experience shows, however, that this message is too simple by half. Monetary control is traditionally achieved by engineering a bull market in gilts; successful monetary restraint is in fact associated with falling interest rates, in what is an inherently unstable system in the shortish run.

The risk here is not so much of the money supply getting out of hand, for if things go wrong, a good deal of money is likely to drain away abroad, but that a funding crisis could well lead to a minor sterling crisis. The targets for funding are every bit as demanding as they look, because of the way extra spending has been window-dressed; there is little reason this year to expect the borrowing requirement to fall much short of the estimate. Any pause in funding will allow an overgrowth of domestic credit which could finance an outflow. DCE rather than the money supply is again the key indicator.

This is where Mr. Healey has taken his final gamble: wage moderation, he hopes, will build a bill market for him, and if he gets moderation, he could well be right. However, there is no room for error. Mr. Healey has talked of possibly reducing the money growth rate in six months. If he is still there, that is not the only thing he may have to cut.

Anthony Harris

MONETARY ASPECTS

Some scope for scepticism

MR. HEALEY has done his best to re-assure the City of his intention to keep firm control of the money supply in the coming year and to retain the confidence of the gilt-edged market and of foreign exchange dealers. In this way, he has done as much as possible to ensure that conditions are as favourable as can reasonably be expected to enable the Government to fund its borrowing requirement. But the policy involves substantial risks in a period when the background factors will be considerably less helpful than last year.

The new monetary target of 8 to 12 per cent. growth in the sterling component of the money stock on the wider definition (M3) is a reduction from the 9-13 per cent. range in force for 1977-78—and which the Chancellor admitted yesterday would be slightly exceeded. This in itself will be of some comfort to the analysts in the City who have become alarmed by the high rate of monetary expansion recorded in recent months, and fear that the new base might be set at too generous a level. A limit of 12 per cent. is probably just about acceptable.

The decision to review the targets on a six-month basis rather than the three-month interval used in the U.S. may also help to calm some fears. The reasons for adopting a system of rolling targets have been well-rehearsed.

The danger of rolling targets is seen to be that they could simply provide a mechanism through which past excesses in the growth of the money supply would become enshrined as the base for the next period of adjustment. The danger of this ratchet effect would increase, the shorter the period of adjustment.

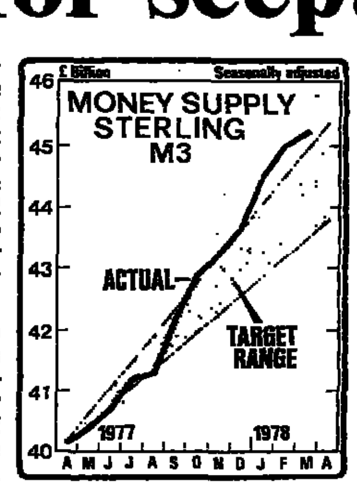
The big surprise in the package was the decision to push up the Bank's Minimum Lending Rate by 1 per cent. to 7½ per cent., overriding the normal market-related formula. The size and direction of the move are themselves not unexpected: the money markets have felt with Mr. Healey for some time that short-term rates were due for an upward adjustment and have been waiting for the Budget before making their own decisions on where they should settle.

By taking the unusual step of announcing the change in the Budget speech, the authorities have perhaps rather cleverly averted the dangers of a period of uncertainty in the markets which could have lasted for several weeks. It will be surprising if the change were not quickly and fully reflected in the level of money market rates and then in the cost of bank overdrafts. At the same time it is not large enough to bring any early danger of pressure for higher mortgage rates in what may be an election year.

By providing a new base for the gilt-edged market, the move could also help to get sales of government securities moving again, a prospect which the Chancellor suggested might be enhanced by the possibility of falling gilt-edge interest rates later in the year depending on the progress with the anti-inflation policy. This is the crux of the balance which the Government will have to strike in the coming year.

The starting point for monetary policy is clearly less favourable than it was in the previous year, when the monetary targets had been easily met and high levels of interest rates provided plenty of scope for a continuing boom in the gilt-edged market. This year, the targets will have been exceeded, even if only slightly, and the opportunities for selling gilt-edged stock to the non-bank public may be more restricted.

Admittedly, there has been one major special reason for the



excessive growth of the sterling M3 in recent months. This was the heavy inflow of funds from abroad totalling perhaps some £3bn., much of it reflecting hedging against currency risks. Whatever policy is followed in relation to the sterling exchange rate, it can be assumed that this inflow will not be repeated.

The Chancellor could fairly claim, therefore, that in the absence of these inflows the rise of sterling M3 by about ½ per cent. in the banking month to mid-March had brought the growth trend back well within the desired level after the exceptional jump in January. There may be some scepticism, however, whether it will be easy to keep it there.

The forecast public sector borrowing requirement of £8½bn., the same as was predicted last year, is rather above the top end of the range which had been expected in the markets. Even allowing for the difficulties of forecasting this figure, it is improbable that this year will produce anything like last year's shortfall of nearly £4bn. when allowance is made for the extra tax cuts made during the course of 1977-78.

The Chancellor suggested that considerable weight in meeting this requirement will be placed on national savings and on the sale of certificates of tax deposit. The Government will keep the return offered on the tax certificates, which were a major source of funds last year, at a relatively attractive level in order to draw in some of the substantial liquidity which is building up in the corporate sector.

Nevertheless, the Government will have to make demands on the gilt-edged market similar to those required in the past financial year.

One major group, the building societies, which last year built up their gilt-edged holdings along with their liquidity, have already been unloading some of them and will certainly be less avid purchasers at least.

The Chancellor's confidence in the ease of financing the PSBR consistently with the new monetary guidelines may not therefore be fully shared in the City. Finally, room has to be left for some rise of borrowing by the private sector.

During much of the past year, the demand for funds may have been held back by the effect of inflows from abroad, which, reflecting in part leads and lags across the exchanges, have provided companies with an alternative source of finance to bank borrowing. This will presumably not be repeated. Against this, the slowing down of inflation and the improvement of profits may hold down the requirements of the private sector during this year. A reasonable growth of private sector borrowing, within the official guidelines repeated by the Bank yesterday, could be accommodated. But the policy could be put out of gear by any one of a number of possible developments, and the dangers of excessive monetary growth leading to a credit squeeze will not be lost on the banks.

Michael Blanden

STOCK RELIEF

Clearing up uncertainty

THE CHANCELLOR'S statement on stock appreciation relief goes a long way to clear up the uncertainty which has developed around the stock appreciation scheme since it was first introduced in 1973-74. It arose because relief was given, not in the form of a waiving of tax, but as a deferral which might at any time be clawed back if stock levels fell.

Mr. Healey yesterday put a six-year limit on the extent to which stock appreciation relief can be regarded as a potential liability. And the relief given for the first two years of the scheme—1973-74 and 1974-75—will be written off for ever. Thereafter potential liabilities will be written off on a rolling basis, as they become more than six years old. So relief given in 1975-76, which has not been clawed back in the interim, will be written off in 1981-82.

The stock appreciation scheme was originally set up so that companies would not have to pay taxes on what were really only paper gains in their stock reflecting the ever-rising cost of replacing raw materials and other goods. In other words, under the conventional accounting system real profits are considered to be overstated by the extent of stock appreciation. Stock appreciation relief allows companies to ignore this in establishing taxable profits.

The scheme works in a fairly straightforward though rough-and-ready way. A company takes the increase in its stocks between the beginning and end

HOW THE STOCK RELIEF WRITE-OFFS WILL WORK

Year	Stock position	Stock relief (Clawback) £	Write-off £
0	Up	100	—
1	"	50	—
2	"	50	—
3	"	50	—
4	Unchanged	0	—
5	"	0	—
6	"	0	100
7	Down	(50)	—
8	"	(50)	—

of its accountaing period. From this figure it has to deduct 15 per cent. of its trading profit, after capital allowances. The balance is the amount of the stock appreciation relief, and is simply deducted from the company's taxable profits.

Since this relief is no more than a deferral of tax, the possibility of it being clawed-back always exists and this actually happens if the value of a company's stocks falls in a year. The clawback in any year is limited to the amount of the stock reduction, and obviously cannot exceed the aggregate unrecovered relief claimed by the company in previous periods.

In practice, of course, stock levels will tend to rise because companies tend to grow and, most of all, because of inflation. Consequently, companies have been faced with the question of whether, and to what extent they should show the potential liabilities for stock relief claimed in their accounts. This problem also arises with the 100 per cent. capital allowances which companies can claim on their capital investments.

British accountants originally favoured a system of tax equalisation in which the peaks and troughs of annual tax bills were smoothed out. This worked fairly well while capital allowances did not vary significantly from the depreciation rates followed by companies in their own accounts. But with the introduction of 100 per cent. allowances for investment in plant and machinery and, later, stock appreciation relief this so-called deferred tax accounting quickly led to a build-up of large liabilities in company accounts.

The problem came to a head in 1975 when the CBI called on the Accounting Standards Committee to changeover to a tax accounting system in which companies would only set up liabilities for the amounts of tax they actually expected to pay to the Inland Revenue. It was generally reckoned that most of the deferred tax liabilities then standing in company balance sheets would never become payable. The potential amount of this tax, relating to stock appreciation alone, has been estimated at a total of £4½bn. for the four years 1974-1975 to 1977-78.

In a notable turn-around, the ASC agreed to change its policy on this matter last year. A new draft accounting standard, known as ED 19, said that companies need only provide for those taxes they expected to have to pay in the foreseeable future. Since then an increasing number of listed companies have been adopting the new approach.

Many accountants did not agree with this, and their fears have been enforced by what always appeared to be an open-ended—though highly impractical—possibility that the Chancellor might one day announce that he was calling in all taxes temporarily deferred on the stock appreciation relief scheme.

Yesterday's announcement means that accountants and companies now know where they stand with stock appreciation. The six year period appears to have been chosen by the Inland Rvenue because it has analogies in other aspects of the tax law. Obviously it also means that opportunities for tax avoidance are considerably minimised.

Mr. Healey made it clear yesterday that, ideally, he would like to introduce a permanent scheme, based on an acceptable system of inflation accounting. In the likely event of this not emerging before next year's budget, he is to continue the present system indefinitely, and legislate then for the promised six year write-offs. Maybe those foreign bankers who have been very wary of deferred tax liabilities in their lending policies will now also feel relieved.

Michael Lafferty

INCOME TAX CHANGES

Nagging doubts remain

E CHANCELLOR'S income cuts are welcome, but the ;ging question must remain ether he has got them in the it place.

le has increased the single n's allowance by £40 to £985, dthe married man's allow-.e by £80 to £1,535. He has roduced a band of £750 of ome taxable at a rate of 25 cent.

hirdly he has pushed up the els at which each of the her rates start. Each of these her rates now starts £1,000 her except for two, 60 per t. and 75 per cent., which ve up £1,500, and the top of 83 per cent., which is reached at a figure £2,000 her than before.

he combination of these relaxations provides a ler strange picture:—

Taxable income	Tax reduction
£7.000	£128
£8,000	£178
£9,000	£228
£10,000	£278
£11,500	£353
£13,000	£403
£17,500	£528
£23.000 & above	£688

his is where the doubt es. Should a greater amount help have been given to dle managers—those in the around £10,000-£12,000 l income, perhaps £8,000-000 of taxable income? It t that level that the benefits ear to have been least gener-ly shovelled out.

t the low income levels, the oduction of a reduced rate d is a clear advantage. The ncellor mentioned that it form the marginal, and efore only, rate of tax for e 4m. taxpayers. The actual of the previous tax thres-l was widely regarded as ng a severely disincentive t. An extra effort, rewarded an extra £1 of earnings, re-ed in the Inland Revenue efiting to the extent of 34p. The Chancellor is now able to give encouragement for that extra work by adding also the pleasurable sensation that the worker is thereby doing the tax-man out of 9p of what he formerly regarded as his just deserts.

In an area which must be regarded as more serious, the poverty trap, the lower rate holds out considerable hope. An extra £1 of earnings could and often did result in a reduction of spendable income. The tax cost of 34p, combined with a loss of family income supplement, higher national insurance and loss of rent and rate rebates could easily amount to a total *disadvantage of more than £1* or, to put it another way, in a marginal "tax" rate of over 100 per cent. To the extent that the true tax part of the package is now likely to be 25 per cent. rather than 34 per cent., the aggregate damage is reduced.

Reduced, but not eliminated; a much more radical re-structuring of tax and social security would be needed for that. The negative income tax, or tax credit scheme, has been under consideration for nearly ten years. When examined by a Select Committee in 1972, it was seen as more or less totally unacceptable to all branches of the Civil Service, who would have had to co-operate over its introduction and operation. Attitudes have recently seemed to be rather less adamantly opposed. But there is no way in which a comprehensive tax credit system could be brought in overnight. The Revenue say they would need five or six years to design and test the computer system needed. If it is to be our eventual objective, should not some planned progress towards it be in hand?

This brings us to another interesting aspect of the lower rate band now created. The Revenue are known to have been very cool. The extra labour in tax offices is considerable, and it is no secret that staff work loads in those offices, and the co-operation of the Inland Revenue Staff Federation, cannot safely be relied on to withstand further enormous pressures.

The Chancellor has increased the threshholds for investment income surcharge. The 10 per cent. rate applies over a £550 band of gross income, from £1,700 to £2,250. The 15 per cent. rate operates thereafter. Previously the surcharge started at 1,500 and reached the full rate at £2,000.

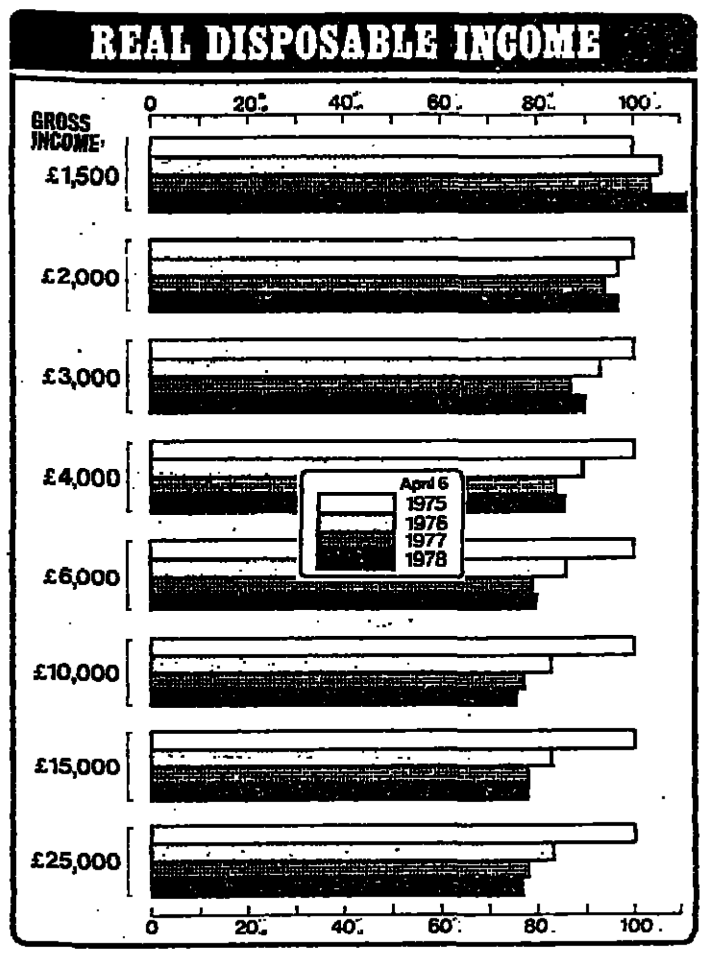
For an individual with net dividends of £1,980, equivalent to £3,000 gross, the new proposals will reduce the tax liability from £200 to £167. Not perhaps a significant reduction when seen against a year's inflation. Net income from dividends last year of £1,780 would have needed to increase by nearer £300 than £30 in order to give their owner the same spending power.

Real spending power in the taxpayers' pocket is still what budgeting is really about for the individual taxpayer. The table illustrates this aspect. It is based on the assumption that during each of the last three years of pay policy, the taxpayer *concerned has achieved no more* and no less than the maximum permitted increases in earnings, so that these now stand at the levels of gross income indicated. The additions to his spending power in the form of child benefits (formerly family allowances) for two small children have been added in, and national insurance and tax have been deducted. This produces the net spendable income figure which the taxpayer is left anticipating each year when the Chancellor sits down. It is then possible *to index* the four anticipated amounts, through from April 1975 to this year, using the Retail Price Index figures.

At the higher levels, after substantial and repeated falls for the first two years, the figures show a marginal increase this year. A cynic might say that that was no more than might be expected in the run up to a general election. He might also say that the *size of* that upturn, at approximately 1 per cent. does not seem entirely to square with the rather more self-congratulatory terms used by the Chancellor.

Perhaps the curve has bottomed out. Perhaps our real livin gstandards may be some small way towards recovering what they had fallen from April 1975 to April 1977. Perhaps the most surprising feature of the chart is its consistency over a very wide income range. At all income levels over £6,000, the aggregate fall in the first two years was neither more nor less than 22 per cent., and the rise this year was 1 per cent. At the lowest income levels, real income has increased steadily over the whole period. No one should cavil at that.

David Wainman



MEN AND MATTERS

Horses may safely graze . . .

Red Rum may have been given the freedom of the sands at Southport but his successor, Lucius, faces a tougher time up in Fife. There Shell and Esso plan a liquefied-gas separation plant just next to the grassland used by this year's Grand National winner, 15 other horses and a donkey.

Braefoot Bay is one of the last unspoilt stretches of Fife on the Firth of Forth (try saying that quickly). But between it and the 12th century abbey on nearby Inchcolm Island lies Mortimer's Deep. This makes the site suitable for the tankers which would take ethylene extracted from North Sea natural gas to Europe and propane and butane to the U.S.

Lucius's owner, Mrs. Fiona Whitaker, says "I am not a banner-carrying Vanessa Redgrave, but we do not want the terminal here." And Dick Mehta, the lawyer who co-chairs the Aberdour and Dalgety Bay Joint Action Group against the terminal, emphasises the dangers of siting the terminal so close to the 7,000 inhabitants of the two small present villages. He claims the plants will be closer than the "safety cordon" recommended by the enquiry into the 1974 Flixborough explosion which killed 28 people.

The Group has just brought over the American professor, James Fay, who claimed the Esso/Shell scheme would have been rejected in the U.S. on safety grounds.

A Shell spokesman says the companies scoured the coast for an alternative site and suggested other Americans could be found to counter Fay's claims. With provisional government approval given for the project two weeks ago, any objectors will have to move fast.

Mrs. Whitaker has apparently been offered double glazing by the oil companies to deaden the noise of the gas refrigeration equipment. Perhaps they will design some double ear plugs for the horses, too.

Milling around

Next year will be the 150th anniversary of the founding of Spillers: as part of their jubilee the company has followed the boardroom fashion of to-day and *commissioned a company* history. "The Master Bakers" had been one potential title. I was told by a trade source — which would have been poignant in to-day's circumstances.

"Do you detect a slight thaw?"

David Roberts of Hutchinson Benham, the sponsored-book division of Hutchinson, suggested to me that the proposed book was of "general interest" and said there had been no suggestion of ringing up to stop author David Wainwright at his typewriter. Roberts added that the typescript was due in a month.

"Ring me again in three or four months," he said encouragingly. On the question of title, Roberts insisted that none had been chosen. Fred Beazley, *Spillers' company secretary*, stressed that milling has been the backbone of the company's past.

He also says about the book that there has been no firm decision on whether to publish it or not. Which might reassure shareholders, who have watched the company lose £28m. on bread over the past six years and must wonder how much of this might be recouped by say, "Spillers the Millers."

Cardiff crusher

Yesterday evening the committee members for a £400,000 community project in Jim Callaghan's own constituency met to pick up the pieces after a fund-raising setback. The Prime Minister is president of the Star Project, which has been given extra urgency as a morale-booster following the decision to close the local East Moors steel works.

A lottery seemed the most promising way to raise money *for the project's running costs*: but after two decidedly unsuccessful draws the promoter, Richard Murray of Newport, has pulled out with what he told me yesterday was a loss of £3,000. The committee says nonetheless that it will try again with a lottery, after a rethink.

Star stands for the four run-down and "deprived" districts of south-east Cardiff, which the planned community centre would serve: Splott, Tremorfa, Adamsdown and Roath. To help push the scheme along, Callaghan *has held several* meetings in his constituency.

The honorary solicitor to the community project is Michael Boyce, also the solicitor to the South Glamorgan County Council. He told me yesterday that unemployment is the key issue for the four Star districts. The Secretary of State for Wales, John Morris, will chair a meeting in Cardiff to-day to see what can be done. He may find it hard to stir much enthusiasm in places like Splott — the lottery flop is largely attributed to the dispirited *local* mood after the East Moors shock.

Builders help

A deal between the villagers of Grasmere and a Newcastle building company has saved the Wordsworthian beauty spot from a development which would *have* transformed its character. The builders, William Leech Ltd., have signed a contract giving the Grasmere *Society a disused hotel and* surrounding land for £70,000. Originally it had been planned to build holiday homes on the site, but after a worldwide campaign to buy the hotel and restore it, Leech dropped its price from £80,000 and are giving Grasmere £2,000 towards the next stage.

Mrs. Isabel Wilson, chairman of the appeal fund in Grasmere, says: "We are delighted and grateful that the contract has been signed. Money has come from all parts of the world. We *look forward to bringing back* new life to the focal point of the village."

Too hard, surely

As we know, the normally imperturbable tenor of life at Claridge's Hotel has been slightly upset this week. But there must be something wrong with a quotation from the management as received from the Press Association: "No one has checked out. The hovel is full."

Observer

POLITICAL IMPACT

A seal for the Lib-Lab Pact

FIRST political comment the Budget is that the ernment must now be safe l the autumn, and the nd is that it appears to be g its utmost to maintain option of staying in power l 1979.

lough has been given to the rals to prevent any major avals on the floor of the se of Commons, and indeed renewal of the Lib-Lab Pact n it expires in July is now ewhat less of a remote possi-y. Mr. David Steel and John Pardoe are entitled to n that this is a Budget with iberal imprint. Not only they achieved the most nced version of profit-ing that was under con-ration and help for small nesses—sometimes down to last Liberal detail—they have the cuts in direct tion.

ere may be amendments e Finance Bill and, in par-ar, there may be attempts educe the new lower rate income tax where the ral target was 20 per cent. nst the 25 per cent. intro-d, and perhaps further to he rates on higher salaries. they will be amendments the Government can afford ose. The chances of the rals voting against the rnment on a confidence have all but disappeared.

r. Healey has also given thing to the Left. He has gone almost as far as he possibly could in increasing public expenditure without having to find new revenue to replace the tax cuts. The bringing forward of part of the next rise in Child Benefits to November, for example, will please both Labour and Liberals alike. But he has done so at a price, namely the raiding of the contingency reserve. Only £200m. is now left unearmarked. That was not the original intention when the figure was set at £750m. in the Expenditure White Paper.

The other—much greater—risks in the Budget are that Mr. Healey is staking all on international recovery and, especially, on the achievement of a satisfactory Phase IV in pay policy. The real action in the next few months will be not on the floor of the House of Commons but in a series of international summit meetings and the negotiations with trade unions.

Mr. Callaghan is due to see Chancellor Schmidt of West Germany shortly. He is also going to Washington for the NATO summit where the world economic situation will undoubtedly be discussed. Mr. Fukuda, the Japanese Prime Minister, will be travelling in Europe and the U.S. In July there will be another meeting of the European Council in Bremen to be followed by the seven nation Economic Summit in Bonn. Mr. Healey made no secret of this international background in his presentation, and indeed the Budget is being deliberately put forward as a British contribution designed to encourage the stronger countries to do more. There might still be something to be gained from posing as a world statesman and, of course, if Mr. Callaghan pulls it off, the prize is worth having.

Whatever may come of all that, however, the talks with the trade unions will be crucial. Mr. Healey left a certain amount of ambiguity about the Phase IV target in his speech. The rate of inflation, he said, was likely to be up about one percentage point (that is, at 8 per cent.) next year even with wage increases at about half the present level. The Financial Statement assumes in its forecast that this will be the rate if "average pay increases in the year beginning August 1978 are about half the average for the current pay round." It does not specify whether it is talking about wages or earninsg and clearly there must be room for some negotiation, but the figure that is going to stick in the popular memory is *5 per cent. That will be a* formidable task.

The Government has now set itself the task of preaching incomes policy by exhortation. It has to demonstrate, as Mr. Healey said in the Budget, that moderation in wage settlements can be rewarded by higher real incomes because of the effect of keeping down the rate of inflation—an approach, incidentally, not vastl ydifferent from tha tlikely to be pursued by the Conservatives, and therefore harder for them to attack.

The message makes sense and has been heard in other countries. Mr. Healey could point out, for example, that in West Germany where the rate of inflation is coming down towards three per cent., recent wage settlements have been running at five per cent. and are considered high. The implications for British competitiveness of a reversion to double figure settlements after Phase III are obvious.

Whether the message is heard here or not, however, the point is that the Government is not out yet. By pitching so much on international recovery and the achievement of a reasonable Phase IV, Mr. Healey has at least gained time. It will not be possible to deliver pudgment until well into the summer.

Mrs. Thatcher may be right that the Chancellor has undergone something of a death-bed conversion to the cause of lower tax, but death-bed conversions sometimes work and Mr. Healey's has all the marks of conviction. In the end, it may be a question of the length of the collective memory. Will it be the thirteenth Budget that is recalled at the election or the four years of no growth, the inflation peak and the rise in unemployment that went before? But that choice is not going to happen yet, and for the moment Labour must reckon that it is back in with a chance.

Malcolm Rutherford

THE LIB/LAB BALANCE SHEET

INCOME TAX		LIBERAL PROPOSALS	BUDGET PROPOSALS
Basic rate		Reduced to 30p; band widended to £8,000 (or introduction of lower rate band)	Rate unchanged; band widened to £7,000 Lower rate of 25p on first £750
Allowances	Single	Raised to £1,100	Raised to £985
	Married	£1,655	£1,535
	Age—allowance single	£1,495	£1,300
	Age—allowance married	£2,135	£2,075
Higher rates		Bands widened; maximum rate 70 per cent.	Bands widened; maximum rate 83 per cent.
Investment income surcharge		Threshold raised by £500; rate reduced to 10 per cent.	Threshold raised by £200 (£500 for 65 and over) 15 per cent. rate remains
INDIRECT TAXES			
...cco		Cigarettes up 5p per packet	Increase on cigarettes with high tar content only
...s, wines, spirits		Beer up 2p per pint	Unchanged
...l		Single 10 per cent. rate (instead of 8 and 12½)	Unchanged
NATIONAL INSURANCE		No change	Unchanged
...oyers' contributions		Up 1½ per cent.	Unchanged
...oyees' contributions		Unchanged	Unchanged
VARIOUS TAX CONCESSIONS TO SMALL BUSINESSES		Six specific reliefs	Almost exactly agreed

HOTELS

Welcome mat for allowances

LY enough, the hotel in-y's reaction to being ed out for specific attention he Chancellor was not so n pleasure at what he had y, but delight that it had recognised as a separate y.

w hotel projects, and ex-ons, are to qualify for al allowances of 20 per and an annual writing allowance of 4 per cent. straight line basis. This is a r change in Governmental attitudes and one for which the hotel and catering business has been pressing for years. Basically, it means that tourism in Britain is now a recognised *industry with its own problems.* For some time hoteliers have been pointing out that their properties are now largely purpose built and of little use for anything else. Hotels, they claim, are the industrial machinery of tourism and should be treated as such for tax purposes.

The Chancellor has gone a long way towards doing just that. At the moment hoteliers are given capital allowances on furniture and fittings. Now they can add 20 per cent. of the building costs to that total.

Broadly, the sums change as follows: The total capital cost of a 160-room hotel to-day might be assumed at £3m. The first year tax allowance on such a project at the moment would be around £1.5m. (on fixed plant and furniture) and thus the net first year tax saving is something around £800,000. There would be no tax savings in subsequent years. Under the new rules the initial allowance would be just over £1.8m. and the annual allowance in the order of £60.000 a year. The first-year tax saving would thus exceed £1m. Taking a 20-year period, each room would cost a little more than £9,000 after tax, compared with around £11,000 at the moment on a room with a total capital cost of £19,000, including furniture and fittings.

Arthur Sandles

LOMBARD

The tyranny of targets

BY JONATHAN CARR

WITH ALL the enthusiasm of a child offered a bowl of cold porridge, West Germany has accepted the new economic growth target for the European community. At the European Council meeting in Copenhagen, Chancellor Helmut Schmidt subscribed to the aim of 4.5 per cent. growth in the 12 months from July which his economics and finance Ministers had previously failed to support in Brussels.

It would be easy to imagine that this signifies a change of heart in Bonn. Surely the Germans, who previously rejected the onerous role of "locomotive" for the world economy, have now accepted the bright, new "convoy" theory—under which joint action is to haul the industrial States out of economic despond. And that must imply a big new German economic boost, particularly since the country seems to be falling behind its own target of 3.5 per cent. growth this year. That all appears to be logical—but it is all wrong just the same.

Suspicious

The fact is the Germans are becoming almost as suspicious of targets as they are of locomotives and convoys. They have good reason, of course. The Bonn Government's track record on growth prognoses is hardly outstanding—but then no one else inside or outside the country seems to be doing much better. Bonn would dearly like to drop the tiresome need to say in advance what it thinks the German growth rate would be, but it is legally bound to perform the exercise and the figures, at least temporarily, appear to give a sense of conviction in a far-from certain economic world. So the Government is stuck with 3.5 per cent.—which means that if the figure seems likely to have to be reduced to say, 3 per cent., there will be cries for more action to boost the economy and, quite possibly, a stiff letter from President Carter to Chancellor Schmidt. These cries will be just as strong quite irrespective of whether the prospect of slower growth should cause the Government to try to start tinkering with demand again, or, indeed of whether such tinkering will bring any measurable advantage to other countries.

It is naturally hard for a Government publicly to admit that its figures were wrong (however understandable the error) and simultaneously to say that it is taking no action because nothing it can do can make much difference. This problem is compounded at European community level. Which European leaders are ready to say that they are not aiming at economic growth sufficient to bring down unemployment? Of course politically they dare not say it—even though German experience alone over the last few years makes it reasonable at least to question a direct correlation between economic growth and a fall in the jobless total.

Even assuming such a correlation existed, it is doubtful whether the proposed community aim of 4-4.5 per cent. growth would do the trick. And what does that aim mean in terms of the nine national economies? Is Britain going to meet the target? Is Italy—without driving its already high inflation into the sky? As a good member of the convoy, West Germany would have to be forging ahead at an inconceivable rate of knots to help the trawlers and dredgers.

Why then did Herr Schmidt go along with the 4.5 per cent. target in Copenhagen? His own response would be that it is not really a target at all—merely a "projection."

Another reason could be that Herr Schmidt's friend, Mr. James Callaghan was particularly keen on the idea. And why cause a political upset now? After all, by the time it becomes clear to "experts" that the 4.5 per cent. is not being achieved, most people will have forgotten about it. The deadline can then be pushed back another six months.

Summits

So we sweep on to two more summit conferences in July—one of the Community countries in Bremen, the other of the seven major non-Communist industrialised nations in Bonn. Both could in theory be splendid forums for setting targets and demonstrating the convoy theory at the highest level. The British especially have been urging joint action to stimulate growth, stabilise currencies, encourage capital flows to the developing world, conserve energy and avoid protectionism. In Copenhagen other Community leaders appear to have rallied to these aims—and no wonder. Who could possibly be against them? All that remains, as it were, is to fill in the details.

West Germany supports the protectionism bit in particular—just as it did at last year's summit in London. Since then it notes with regret that protectionist pressure has increased on its own European doorstep. But one thing the Germans are already solemnly vowing to themselves. Whatever else the final document of the Bonn conference may include, it will not be a reference to specific national economic growth targets.

The attractions of the wild garden

GARDENS TO-DAY

BY ROBIN LANE FOX

EVERYBODY likes the idea of a wild garden. It sounds respectable without being arduous. It is slightly romantic. It would also save money, one obvious way round the huge sums which national surveys now shows us spending on the rather futile task of cutting our grass more closely than in any preceding century. Yet truly wild gardens are few and far between. The fact was brought home to me when writing a foreward for the classic text on wild gardening, now handsomely back in print.

William Robinson's Wild Garden first appeared in 1870. It was reprinted frequently over the next thirty years and was revised, I have come to realise, in very revealing ways. Since 1920 or so, it has just become a name. I hope that the revival, by the Scolar Press, may catch gardeners' interests once again. Circumstances are once more in Robinson's favour. At £7.50, it is back on sale as from this week, complete with the old woodcuts, reproduced to the Scolar Press's usual standards.

Bedding-out

Robinson was an Irishman, a pugnacious man who is alleged, in 1861, to have flung open the greenhouses of his clerical employer and exposed their bedding plants to a January night's frost because he detested them. From there, he ended up as keeper of native plants in Regents Park. He had literary ambitions. His style was sentimental and rhetorical at one and the same time. That suited the Times who hired him to cover the Paris Exhibition. From France and its parterres, he contributed to a contemporary debate in the Times letter columns over the merits of bedding-out. Victorian gardeners, clearly, were not so wedded to the fashion as we sometimes assume. Next, aged thirty, he travelled in the Mediterranean and visited North America. His book, published when he was 32, grew out of this. In its first edition, the Wild Garden reflected the outlook of a keeper of British plants, for whose merits and native British names he was too enthusiastic. It also built on his walks in mountain scenery whose Alpine meadows impressed him. He was not deterred by owning no serious garden himself.

What can we learn from it? More, I think, than those who consider it a historical text would realise. Robinson returns often to the possibilities of early summer-flowering perennials massed in long grass which is not, then, cut until early July. It is a measure of our own concern with order and "island"-bedding that we would think, at first, that this must be mere youthful excess. But he backs the idea up with pictures, even with a splendid picture of the big double-flowered paeony growing wild in an orchard. There is an intriguing network of cross-references to other gardeners and their experience, a network which grew with each edition. Some of them, clearly, had tried or invented Robinson's suggestions. They worked then. We are, I believe, too shy about thinking that they could work now.

Robinson's plea was quite simple: "All are agreed," he could write, "that a mistake has been made in destroying our old flowers, from lillies to hepaticas through the harshness of the bedding-system." The "agreement," still, has not worked through to the keepers of public parks, propped up on the backs of domestic rate-payers. Robinson believed that many hardy perennials could be naturalised, as if they were spring bulbs. Many, of course, are wild and "natural," anyway, in the countries of their origin. Many, he urged quite rightly, would flower in spring or early summer. In the garden, they are untidy for the rest of the year. In a wilderness they are concealed, not least by the grass which grows several feet high by mid-July. The grass can then be cut, preferably with a scythe, though we would now wish to use a rotary mower set very high: by tilting it up on two of its wheels, I find that I can bring down tall grass in July without slashing the basal clumps of leaves on which the early perennials depend for the next year. The plants have to be massed to be seen at their best. You must grow them, then, from seed or buy a few and allow them to expand for a year or two before dividing them.

Which then, are suitable? We should distinguish, I think, between an orchard or meadow and a shaded bank or site under tall trees. In the former, Robinson was quite adamant that paeonies and irises would establish themselves. The tiny pieces which nurserymen now sell would have to be fattened up for a year or two. But I am convinced by his pictures and by accidental experience with rubbish-heaps or piles of discarded iris-rhizomes that these plants, in their tougher varieties, can hold their own. I would have doubts about cutting away paeonies' top growth with a mower, but Robinson's correspondents seemed to have no problems. The iris's leaves, of course, were shortened by dutiful gardeners when they divided them after flowering and reduced them to neat 'fans' in late July. So the mower would not hurt.

Foxgloves, angelica, tall yarrow, golden rod and the big sea kale (Crambe Cordifolia) are all among Robinson's top tips. So, too, are the big oriental poppies whose leaves vanish early, wherever you put them: a big mass in a wild orchard would be sensational. He makes claims for the delphinium, which I would doubt. The plain evening primrose (Oenothera Taraxacifolia) would be excellent, though its season is late and would stop you mowing its area altogether until late autumn. Wild geraniums would be excellent, especially the strong taller magenta variety, generally sold now as armenum. This stands up to a rough site. Verbascums would be fine too; both the woolly white-leaved biennial broussa and the ordinary branching yellow-flowered mullein. These, like the tall silver thistle, or onopordon, are well able to hold their own. Many of them are plants which respond well to the root-cuttings which I described last week. A few will soon go a long way.

Accessible

For all his romance, I am preparing to give Robinson's ideas a go. Mown paths will have to be planned through my small wilderness, so that it is fully accessible. I am sure that we should decide to mass a few varieties, rather than to plant a few of too many. From the Wild Garden, now more than a century old, I have drawn a new impulse and an awareness that even these gardens on lime soils can do far more with their wild corners. Yet there is hardly a garden nowadays which has taken up the challenge. An evening with Robinson will persuade you, at the least, to see your plants in a different light.

Midnight Court still improving

RACING

BY DOMINIC WIGAN

LITTLE HAS happened over the past few weeks to change my view that Midnight Court can beat Fort Devon for speed at the end of to-day's postponed Piper Champagne Cheltenham Gold Cup, and give Fred Winter that long-overdue first training success in the race.

Midnight Court proved with his victory in Chepstow's Aynsley China Cup that he is still improving, and he, rather than the veteran Fort Devon, will have benefited from the postponement.

With Fort Devon, Brown Lad and Royal Frolic vying for the lead, I hope to see Midnight Court brought with a late challenge on the climb to the finish to peg back the popular ex-American chaser.

Ireland's principal hope, Brown Lad, would be a threat to all on heavy ground, but with the fast course and a hard race just behind him, I give him no more than a remote chance, and expect Bachelor's Hall and the under-rated hero of 1976, Royal Frolic, to have his measure.

Nine runners — including Atlantic Bridge, Beparoejojo and Major Thompson—withdrew from the main supporting event, the Daily Express Triumph Hurdle, at the final declarations stage.

But it promises to be worth seeing, for Rodman will be trying to retrieve a slightly tarnished reputation against a challenge from Ireland by Bourbon Street and Corrib Chieftain, who has continued to show tremendous promise in schooling with stablemate, Prominent King.

If inexperience does not prove his downfall, this Appiani II gelding, only once raced over the minor obstacles, should have too much speed for Bourbon Street.

CHELTENHAM

2.00—Merry Meadow
2.30—Rough and Tumble
3.05—Corrib Chieftain***
3.40—Midnight Court**
4.10—Broomley*
4.40—Vido
5.10—Beau Chasseaur

RIPON

3.45—Rifle Brigade
5.15—Neparree

Ports traffic down 1%

FINANCIAL TIMES REPORTER

TOTAL TRAFFIC through British ports fell by 1 per cent. last year compared with 1976, according to the latest statistics published by the National Ports Council.

The council said this slight drop in traffic was largely due to a further substantial decline in imported oil as a result of the development of North Sea oil.

Fuel imports fell 19 per cent. and, although this was partly offset by an increase in exports, total fuel traffic in and out was 2 per cent. down on 1976.

Foodstuffs and manufactured goods traffic rose 5 per cent., while basic materials traffic fell 7 per cent. compared to 1976.

● Brittany Ferries will decide within the next few weeks whether to turn its new twice-weekly Plymouth-Santander car ferry service, which begins on Monday, and its other new seasonal service from Cork to Roscoff, into year-round services.

TV/Radio

BBC 1

6.40-7.55 a.m. Open University. 12.05 p.m. For Schools, Colleges. 12.45 News. 1.00 Pebble Mill. 1.45 Bagpus. 3.00 Racing from Cheltenham. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Bailey's Comets. 4.40 The Canal Children. 5.05 John Craven's newsround. 5.10 Think of a Number.

5.40 News
5.55 Nationwide (London and South-East only)
6.20 Nationwide
6.45 The Wednesday Film: "Track of Thunder"
8.10 Miss Scotland 1978
9.00 News
9.25 The Budget. Sir Geoffrey Howe for the Opposition
9.35 The Hong Kong Beat
10.05 Sportsnight
10.55 To-night
11.35 Weather/Regional News

All Regions as BBC-1 except at the following times:—

Wales—5.10-5.35 p.m. Bilidowcar. 5.55-6.20 Wales To-day. 6.45 Heddiw. 7.10 Ask the Family. 7.40-8.10 In Our Nature. 11.35 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 10.05-10.55 Sportscene. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 9.35-10.05 Footlight on Northern Ireland affairs. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol); South To-day (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University
10.20 Gharbar
10.45 Parosi
11.00 Play School (as BBC-1, 3.55 p.m.)
2.15 p.m. Racing from Cheltenham
4.55 Open University
7.00 News on 2 Headlines
7.05 Mr. Smith Propagates plants
7.30 Newsday
8.10 Brass Tacks
9.00 Call My Bluff
†9.30 Midweek Cinema: "Broadway Melody of 1940" starring Fred Astaire and Eleanor Powell
11.10 The Budget: Sir Geoffrey Howe for the Opposition
11.20 Late News on 2
11.30 Arena: Theatre

LONDON

9.30 a.m. Kimba. 9.50 Heritage. †10.40 Hopalong Cassidy: William Boyd in "Outlaws of the Desert." 11.45 Oscar. 12.00 Here Comes Mumfie. 12.10 p.m. Rainbow. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Time and Time Again. 3.50 Paint Along with Nancy. 4.20 How. 4.45 A Bunch of Fives. 5.15 Emmerdale Farm.

5.45 News
6.00 Thames at 6
6.35 Crossroads
7.00 This is Your Life
7.30 Coronation Street
8.00 Benny Hill Down Under
9.00 Send in the Girls
10.00 News
10.30 The Budget: The Shadow Chancellor, Sir Geoffrey Howe MP, for the Opposition
10.40 The Midweek Match
11.40 World Snooker
12.10 a.m. Night Gallery
12.25 Close: Christopher Cazenove reads poems by Thom Gunn

All IBA Regions as London except at the following times:—

ANGLIA

9.30 a.m. The Maharajahs. 10.15 Record Makers—Lena Zavaroni. 11.05 Survival. 11.30 Showcase. 1.25 p.m. Anglia News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 11.40 Baretta. 12.25 a.m. The Big Question.

ATV

10.00 a.m. Something Different. 10.15 The Unknown Vatican. 10.40 Fantastic Voyage. 11.00 Digging for Yesterday. 11.25 Elaine, the Singer of the Song. 11.50 Professor Balthazar. 1.20 p.m. ATV Newsdesk. 3.50 The Sullivans. 5.15 Mr. and Mrs. 6.00 ATV Today. 11.40 Drive-In.

BORDER

9.35 a.m. Skippy. 10.00 John Carney Novello. 10.55 You Can Make It. 11.20 Showcase. 11.45 Oscar and the Great Wooferoo. †1.20 p.m. Border News. 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 Lookaround Wednesday. 11.40 Gibbsville. †12.35 a.m. Border News Summary.

CHANNEL

1.18 p.m. Channel Lunchtime News and What's On Where. 6.00 Channel News. 6.10 Castaway. 10.28 Channel Late News. 10.32 Early Firearms. 11.40 Westside Medical. 12.35 a.m. News and Weather in French followed by Epilogue.

GRAMPIAN

9.55 a.m. First Thing. 10.00 Cairney Novello. 10.55 You Can Make It. 11.20 Showcase. 11.45 Oscar and the Great Wooferoo. 1.20 p.m. Grampian News Headlines. 3.50 Survival. 6.00 Grampian Today. 6.30 Police Newsroom. 10.40 Celebrity Concerts (Dionne Warwick). 11.35 Reflections. 11.40 An Audience with Jasper Carrott. 12.10 a.m. The Mad Canadian (N.F.B.O.C.).

GRANADA

Nature of Things. 11.20 Skippy. 11.45 9.30 a.m. Sesame Street. 10.25 The Cartoontime. 1.20 p.m. This is Your Right. 5.10 This Is Your Right (second chance to see today's lunchtime programme). 5.15 Crossroads. 6.00 Granada Reports. 6.30 Mr. and Mrs. 11.40 Gibbsville.

HTV

10.00 a.m. Cairney Novello. 10.55 You Can Make It. 11.20 Showcase. 11.45 Oscar and the Great Wooferoo. 1.20 p.m. Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Havoc. 11.40 Man and Woman. 12.10 a.m. The Practice.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.00-6.30 Report West

SCOTTISH

10.05 a.m. The Funky Phantom. 10.30 The Stationary Ark. 10.55 You Can make It. 11.20 Showcase. 11.45 Oscar and the Great Wooferoo. 1.25 p.m. News and Road Report. 2.00 Women Only. 3.50 Mr. and Mrs. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Wilkie on Water. 8.00 Quincy. 10.45 Rush. 11.40 Late Call. 11.45 Pro-Celebrity Snooker.

SOUTHERN

9.35 a.m. Mr. John's Green Gold. 10.00 Sinbad Junior. 10.10 The Nature of Things. 11.05 The Invaders. 1.20 p.m. Southern News. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day: Wednesday Extra. 11.40 Southern News Extra. 11.50 The Butlin's Grand Masters Darts Championships.

TYNE TEES

9.25 a.m. The Good Word followed by North East News Headlines and Weather. 9.30 Stars on Ice. 10.00 Cairney and Novello. 10.55 Wildlife Cinema. 11.20 Showcase. 11.45 Oscar and the Great Wooferoo. 1.20 p.m. North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 11.40 Landscape. 12.10 a.m. Epilogue.

ULSTER

10.00 a.m. Cairney Novello. 10.55 You Can Make It. 11.20 Showcase. 11.45 Oscar. 1.20 p.m. Lunchtime. 4.18 Ulster News Headlines. 5.15 Solo One. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 8.00 Streets of San Francisco. 11.40 Make It Count. 12.05 a.m. Bedtime.

WESTWARD

10.00 a.m. John Cairney—Novello. 10.55 You Can Make It. 11.20 Showcase. 11.45 Oscar and the Great Wooferoo. 12.27 p.m. Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.28 Westward Late News. 11.45 Westside Medical. 12.40 a.m. Faith for Life.

YORKSHIRE

9.30 a.m. Battle for Cassino. 10.25 The Undersea Adventures of Captain Nemo. 10.30 Little House on the Prairie. 11.30 The Electric Theatre Show. 1.20 p.m. Calendar News. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 11.50 Darts.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.02 Noel Edmonds. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 Tony Blackburn. 4.31 Dave Lee Travis including 5.30 Newsbeat. 7.00 Sing Something Simple (S) (joins Radio 2). 8.00 As VHF. 10.02 John Peel (S). 12.00-2.02 a.m. As Radio 2.

VHF Radios 1 and 2—5.00 a.m. With Radio 2, including 1.55 p.m. Good Listening. 8.00 Listen to the Band (S) (continued from Radio 2 medium wave). 8.15 Semprini Serenade (S). 9.02 Bing, part 13. 9.55 Sports Desk. 10.00 With Radio 1. 12.00-2.02 a.m. With Radio 2.

RADIO 2 1,500m and VHF

5.00 a.m. News Summary. 5.02 Ray Moore with The Early Show (S) including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 Jimmy Young (S). 12.15 p.m. Waggoners' Walk. 12.30 Pete Murray's Open House (S) including 1.45 Sports Desk. 2.02 David Hamilton's Racing Special (S) including Racing at Cheltenham. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.40 A Party Political Broadcast by the Labour Party. 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Listen to the Band (S). 8.00 European Soccer Special. 9.30 Join VHF. 9.55 Sports Desk. 10.02 I'm Sorry I'll Read That Again (selected repeats). 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Sports Desk. 11.06 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 a.m. News Summary.

RADIO 3 464m, Stereo & VHF

†Medium Wave only

†6.55 a.m. Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Mendelssohn (S). 10.00 Holiday Special (S). 10.20 Organ Music (S). 11.00 Piano Recital (S). 11.35 Concert from the Netherlands, part 1 (S). 12.10 p.m. In Short (talk). 12.15 Concert, part 2 (S). 1.00 News. 1.05 Concert Hall (S). 2.00 The Exotic Sound Of ... The Dawn Chorus on record (S). 2.10 Haydn String Quartets (S). 3.10 Music from Pebble Mill: Schubert's "Winterreise," part 1 (S). 3.50 Interval Reading. 3.55 "Winterreise," part 2. 4.45 Building a Library of records (S). †5.45 Homeward Bound. †6.05 News. †6.10 Homeward Bound (continued). †6.30 Lifelines. 7.30 The Art of ... Willi Domgraf-Fassbaender on records. 8.00 BBC Symphony Orchestra, part 1: Haydn, Bartok (S). 8.55 The Arts Worldwide. 9.15 BBC SO, part 2: Shostakovich (S). 10.00 The Confusion of Tongues: Jonathan Steinberg examines the four national languages of Switzerland. 10.50 Bach Chamber music concert (S). 11.25 News. 11.30-11.35 Tonight's Schubert Song.

Radio 3 VHF only—6.00-7.00 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.15 a.m. News. 6.17 Farming To-day. 6.35 Up to the Hour. 6.52 (VHF) Regional News. 7.00 News. 7.10 To-day. 7.35 Up to the Hour (continued). 7.52 (VHF) Regional News. 8.00 News. 8.10 To-day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Songbook (S). 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Bestseller. 11.50 Tales and Legends of the Highlands. 12.00 News. 12.02 p.m. You and Yours. 12.27 The Enchanting World of Hinge and Bracket. †12.55 Weather, programme news VHF (except London and SE) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. †5.55 Weather, programme news (VHF) Regional News. 6.00 News. 6.30 Quote ... Unquote (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 The Spy that Stayed out in the Cold: the new technology of spying. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World To-night: News—the Budget. 10.30 The Hitch-Hiker's Guide to the Galaxy (S). 11.00 A Book at Bedtime. 11.15 The Financial World To-night. 11.30 To-day in Parliament. 12.00 News.

VHF—6.15-8.35 a.m. With Medium Wave. 8.35 News Headlines. 8.45 The Glums. 9.00 Close with m/w.

BBC Radio London

206m and 94.9 VHF

5.00 a.m. As Radio 2. 6.30 Rush Hour. 9.00 Holiday Scene. 9.20 London Live. 11.03 In Town. 12.03 p.m. Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 In Town (as 11.03 a.m.). 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 a.m. Question Time from the House of Commons. 1.00 Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

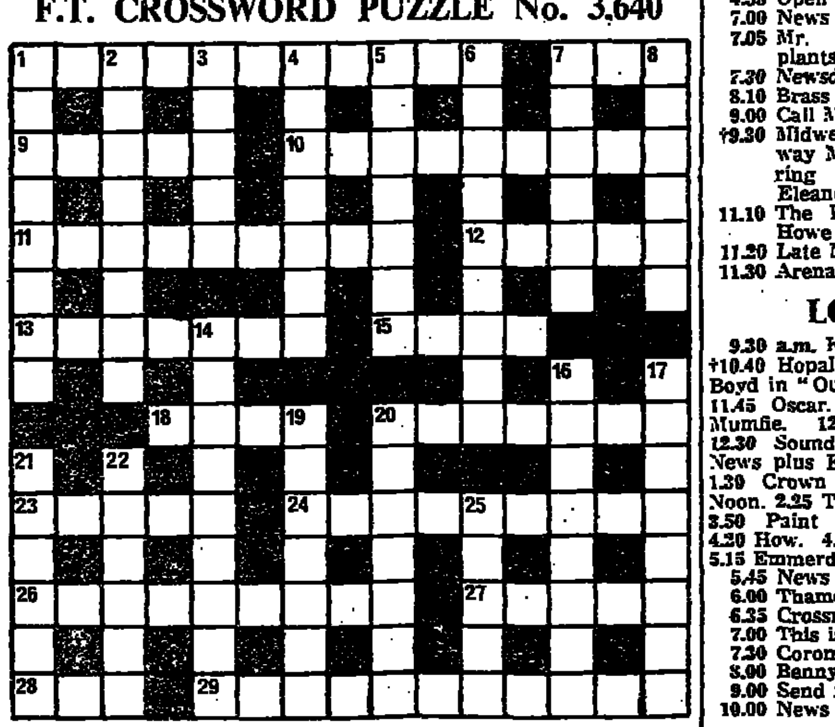
5.00 a.m. Morning Music. 6.00 AM: Non-stop news, travel, sport, reviews, information. 10.00 Brian Hayes. 1.00 p.m. LBC Reports including George Gale's 3 O'Clock Call. 8.00 After 8—with Ian Gilchrist. 9.00 Nightline. 1.00-5.00 a.m. Night-Extra with Adrian Scott.

Capital Radio

194m and 95.8 VHF

6.00 a.m. Graham Dene's Breakfast Show (S). 9.00 a.m. Michael Aspel (S). 12.00 Dave Cash (S). 3.00 p.m. Roger Scott (S). 7.00 London To-day (S). 7.30 Adrian Love's Open Line. 9.00 Your Mother Wouldn't Like It, with Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 a.m. Duncan Johnson's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,640



ACROSS

1 Employees' leader got one accepted by people bargaining (11)
7 & 28 Gamble with little hope to deceive (6)
9 Vagrant male getting gin outside (5)
10 Usual tax applied to a railway (9)
11 Hybrid white rose—what else? (9)
12 Rope going to pole for cloth (5)
13 A separate element contained in particles (7)
15 Article got in return for a cloak (4)
18 Insect used to be quiet at the end (4)
20 Eat nuts to create disease (7)
23 Separate a bit (5)
24 One who goes to press for inn with unusual relish (9)
26 Odd fellow could be a crank (9)
27 Dwell to the north and become brisk (5)
28 See 7 Across
29 Is thick string in a ball? That's the difference! (11)

DOWN

1 Subject of a country or race that is grand (8)
2 Carbon compound hit with shot outside (8)
3 Come to a point using a source of light (5)
4 Attribute to a writer (7)
5 Examine creature with soft centre (7)
6 Unusual one left in night for source of illumination (4, 5)
7 Clever supporter in capital of Yugoslavia (6)
8 Attempting to be tiresome (6)
14 Criminal leader hurried to be punished (9)
16 Have nuns to be upset when not barefaced? (8)
17 Alienate Oriental with peculiar following (8)
19 Father upset syrup in old writing material (7)
20 Plant giving unhealthy fumes (7)
21 Vocation involving attention to Her Majesty (6)
22 Plaster on your head is incongruous (6)
25 I had been in front but slackened (5)

Solution to Puzzle No. 3,639

Television

What's New?

by CHRIS DUNKLEY

From tower block flat to manor ouse, one of the commonest xchanges in homes all over this and must surely be: "What's on he box?" (unless they still call : television up at the manor) nd, after a quick look at the aper, the dismissive response Oh, nothing new."

No doubt it drives programme iakers screaming mad because, or a start, it is fundamental to everal categories of programme - news, current affairs, some orts of documentary—that their ontent should always be "new." Though last week's BBC current fairs seemed determined to rove otherwise: *Brass Tacks* had ariq Ali talking about student ower, and *The Man Alive Report* id apparently only just discovered what the rest of us have nown for 15 years, that hippy eroin addicts are the numerically insignificant tip of a vast eberg comprising millions of iddle aged and elderly people ho have been medically ibituated to barbituates and her drugs. Only Monday's *inorama* saved BBC current fairs' corporate face with Clive ddall's informative and cunngly made profile of Roy attersley, including the world's st three-way TV interview in lift.)

But leaving aside current ents programmes, there are in y case new series and serials troduced practically every ek. The old habit of saving dozens of new series to open fresh season and cramming em all into one week does, ppily, seem to be tailing off. ese days they tend to be read out much better, though arly the last week or so has n more new material than ial, with the arrival of spring. Yet still you hear people thely insisting that "There's thing new on telly." The uble probably stems from that ourite weasel-word of the man: new *Radio Times* and *Times* apply the phrase ew Series" indiscriminately further helpings of estabied programmes and to uinely new ideas. So the wer can hardly be blamed if flicks through the magazines l casually dismisses all the n/years of work which go into king a single evening's teleon by declaring there is nothnew.

fter all, ITV's *Devinish*, *Ris-Damp*, and *Russell Harty* and BBC's *Angels*, *Wildlife On* and *Rhoda* are all very iliar to us. The "New ies" tag on them simply ins "these are not repeats." haps we need a different ase for genuinely new erial.

hen again, perhaps we don't iuse even among the iinely new there is a lot that s awfully familiar. Take don Weekend's *People Like* it is a serial adapted from F. Delderfield's "Avenue" s, dealing with the lives of rgish collection of people all ig in one road.

is what I think of as Hovis ma not just because you can it endlessly thin but use it looks very much like of Ridley Scott's bread commercials with the little boys in long flannel shorts and lace-up boots, scrupulous attention paid to period furniture, and all the outside camerawork making desperately sure to stay below TV aerial level. The general idea seems to be that All Human Life Is Here—or at any rate all lower middle class suburban life of the early twenties.

With minor variations in period, place, and precise social standing it is, in other words, strikingly similar to such serials as *Sam*, *London Belongs To Me*, and *Holding On*—all ITV productions. Of course they vary. Some have had more of a single specific story to tell than others (*Holding On*). One (*Sam*) was written for television while the others were adaptations. And standards of acting, direction, and so on differ. Yet they do share the habit of amassing characters at the cost of creating character.

Thus in *People Like Us* we have a pair of spinsters, one widow, one widower, one Italian immigrant, several bachelors, girl children, boy children and so on, as though somebody had ordered them in a set from a pattern book. But not one of them has the true individuality which makes for great drama (and great literature, and most other greats come to that). Each looks like a symbol. It is competently enough done and will please that large portion of the audience which wants easily assimilated domestic stories and none of that sex or swearing thank you.

But even the most charitable onlooker could not call its ideas or approach "new."

The same can be said for BBC1's *The Standard*, even if I shall enjoy it a lot more since it is the contemporary story of a daily newspaper. (Though the suggestion from some newspaper commentators that *only* journalists will like it seems most illogical: you didn't have to build aircraft to like *The Plane Makers* or be an oilman to enjoy *The Power Game*.) Again the production, this time by BBC Scotland, looks assured, and for once the writers appear to have a fair grasp of the realities of modern newspaper offices: nobody with "PRESS" stuck in a hatband, but widely varying views on a mandatory meeting of the journalists' union. That is true enough to life.

Yet it does seem pretty obvious already that this series is not really going to be about those problems that actually exercise to-day's newspapermen (freedom of the Press and the closed shop, automation in which journalists' keyboards could supplant compositors, the drift away from newsprint into pure electronics and so on) but instead, yet again, about the common human factor which all television's other business and industrial dramas have been about: power, with a very small amount of sex on the side.

Once more there is nothing wrong with that, but the story could as well be about merchant banking or book publishing: there is nothing "new" about it.

However, if you sought the most dog-eared programme of the week parading under the "New Series" banner you had to go to religious broadcasting and BBC1's *Cross Question* on Sunday night, in which Father Herbert McCabe and Lord Hailsham sat on giant slabs of green fudge and flicked the hoary old chestnut about Christianity and politics backwards and forwards.

Are there then no series in the schedules which really deserve the "New!" label? I think there are at least three.

First *A Tale Of Three Cities*, on BBC2, in which Frank Smith and Maryse Addison employ the novel technique of studying cities via their television services. Charles Wheeler's report on Berlin was remarkably silent on such matters as the East's defectors, but it was undeniably a most unusual programme and I hope to write more about the series in a future column.

Second the four-part drama series *Law And Order* written by G. F. Newman and produced by Tony Garnett, again on BBC2. Neither its drama-verité technique nor its rasping style is new (though both are still out of the ordinary) and its subject is commonplace. Yet the three together create something deserving the "New!" epithet, as I suggested at greater length on Saturday's arts page.

And third, *Rumpole Of The Bailey* a Thames production which appears at first sight to be another series about a man's occupation (like Dr. Finlay, lawyer Sutherland, detective Marker and so on) but turns out —unless Episode I was totally misleading—to be much more about the man than the job. This distinction which may sound subtle is actually crucial.

The writer, John Mortimer, has obviously used his own experience as a lawyer to provide an authentic setting for his character: "I have the honour to be a hack of the Old Bailey" Rumpole avers, and admits to a thrill every time he enters the place. Inside, where he meets an entire criminal clan named Timson, Rumpole asks the youngest "Well Jimbo, what's the defence?" to which the youth replies "Well I never dunnit." Looking like the Owl in Winnie the Pooh, Rumpole remarks "Now that's an interesting defence, most unusual for a Timson" and a great deal is established very rapidly.

The important thing is that instead of Leo McKern's Rumpole serving the plot it is the various parts of the plot which serve him: all three settings — the law courts with the criminal family, the legal chambers with the other partners, and the Victorian service flat with wife and son — are all subservient to Rumpole himself. What we are getting is fictional biography with some fairly witty lines, and there is a dreadful shortage of wit on television. That alone would justify Rumpole's claim to originality.

Leo McKern as Rumpole

Soho Poly

Bondage by MICHAEL COVENEY

John Bowen's elegantly written lunch-time play sacrifices details of character and plot to an ultimately humdrum discussion of freedom for those with social and family obligations. The Euripidean tension between rationality and sensuality is at the root of much of Mr. Bowen's writing for the theatre, but I am afraid that, on this occasion, his initial metaphor fails to resonate through the stage action.

The scene is a house in Purley where Muriel (Susan Engel), attired in apricot silk and black negligée, welcomes a customer in a pin-striped suit for, ostensibly, a bit of slap and tickle. After a few coyly sprung deflationary ironies—Muriel keeps her bound Barbara Cartland well concealed, "pussy" is hidden away in a basket but will be inspected later, Mr. James confesses to being a great one for rigour and discipline ("Satisfaction requires both effort and pain")—we learn that the couple are father and daughter. Their relationship such as it is, can only be explored through this process of bizarre role-playing.

Bound by rope to the punishment chair, James (Mark Dignam) is confronted by his daughter's rather unformed protestations about being a slave to his will, and he recoils in horror as Muriel removes first her blonde wig and then her silk before wrapping herself up in a functional dressing gown and insisting that he looks on her as herself, an oppressed victim of domestic tyranny.

Susan Engel and Mark Dignam

At this point in the writing, obvious cliché penetrates the stilted dialogue and the conversation becomes as stale as its melodramatic conclusion. Muriel thinks that her opportunity of being a Probation Officer or a champion of battered wives is irredeemably lost. Limply conceding defeat, she slits her wrists in front of her fettered father. The final impression is that Muriel is as much a victim of schematic playwriting as of parental indifference.

Wigmore Hall

Peregrine Quintet

by NICHOLAS KENYON

"*n*" is the enigmatic title of Michael Finnissy's piece for an ensemble of up to four players which was given its British premiere (in a realisation for flute, oboe, clarinet and horn) during the Peregrine Quintet's concert at the Wigmore Hall on Wednesday. (To be precise, this was the premiere of the "1973 version," a previous version having been first heard in Britain, somewhat confusingly, in 1974—we have always lagged far behind the continent in performing this composer's music.)

If the programme note had not told us that "although they all begin at the same time their music is not otherwise 'coordinated'" I would have praised the precision with which the interweaving of the four instruments, placed at opposite corners of the hall, was controlled. Melismatic flourishes of sound from one instrument always seemed to emerge over a suitable background from the others; usually single notes or, rarest of delights in such pieces, a major third "*n*" showed the same pleasure in sheer sound and the same acute ear for timbre as the larger works of Finnissy which we've heard here: whether there was any more to it (or indeed whether there was *meant* to be any more to it) I doubt.

For the remainder of the concert the Peregrine Quintet struggled manfully against the limitations of the wind quintet repertoire. They were joined by Anton Weinberg's bass clarinet in Janácek's sprightly *Mládi*, but this was the only work given that could honestly be called first-rate. The other Czech piece, Foerster's D major Quintet Op. 95, had a bumpy ride at the start of the evening, with plenty of good humour in the playing but not much matching of phrasing or care for balance. Villa-Lobos' *Chôros No. 2* revealed Lenore Smith, the flautist, as the most polished member of an otherwise uneven ensemble. Jean Françaix's Quintet breathes an air of sophisticated, delicately naughty refinement which to this quintet was as foreign as the bird from whom they quite unaccountably draw their name.

Elizabeth Hall

Harewood on Callas

The British Institute of Recorded Sound, for the annual Adrian Boult lecture, invited Lord Harewood to speak on Maria Callas. The Elizabeth Hall was packed: a tribute to a singer who impressed her unique gifts on a period of operatic history that might otherwise have been comparatively colourless. Lord Harewood had the fortune to hear Callas at one or two crucial points in her early career. He worked with her subsequently at Covent Garden and was a personal friend over a long period. These factors, together with his consuming passion for a knowledge of good singing, give him exceptional authority.

As illustrations he used excerpts from a BBC television interview he made with Callas about ten years ago, and from a number of recordings, including a "live" excerpt of the *Vespri siciliani* production conducted by Erich Kleiber at Florence in 1951, and memorably described at the time by Lord Harewood himself in the pages of *Opera*. Not everyone appreciates the amount of effort necessary to ensure that an illustrated lecture of this type goes as smoothly as this one did on Monday night. An immense amount of expert work must have been put in by the technicians of EMI and the BBC, not least by the lecturer himself.

Three times—at the opening, in context as part of the aria, and again at the end—we heard the phrase from the beginning of Elvira's mad scene in Bellini's *Puritani*. For many of us this must have been, as her first gramophone record, our introduction to Callas: the thrill and sudden shock of the revelation of a strong and original personality which only a great singer can provide. With generous excerpts from her famous 1954 *Norma* recording, Bellini and Verdi (*Nabucco* and *Traviata*, as well as *Vespri*) were paramount. Rightly so, of course the ultimate importance of Callas lies in the way she enabled us both to rediscover a vital part of the repertory and to hear some familiar operas in a different way.

That she did not do this entirely by unaided instinct was made clear by her own references to two great influences on her career—the conductor Serafin and her Spanish teacher in Athens, Elvira de Hidalgo (herself an accomplished performer). Callas does not appear, in public at least, to have stressed her Greek origins. Yet they at once marked her voice with a strong flavour and deprived her of a national repertory.

RONALD CRICHTON

ok Review

Your National Theatre

by B. A. YOUNG

History of the National eatre by John Elsom and cholas Tomalin. Cape, £8.50. 2 pages

cholas Tomalin was killed on Golan Heights in 1973 when history of the National tre was partly written. John n has completed the work, iting in the process what olas Tomalin had left, to re consistency of style. The t is a clear and comprehenbook that is well worth havand though it falls into two ict and contrasted sections is not the result of the dual irship. The first section 's the period from 1848 to t 1963. The second covers estation, birth and bringingf the National Theatre we have.

lay and dispute have hounthe scheme—the schemes, r—since Effingham Wilson forward the idea in 1848. in's proposals, which he iced as a better alternative to the purchase of Shakespeare's birthplace, received approval but no support. Discussion went on (and the Old Vic and the Shakespeare Memorial Theatre began work), but the next urgent step did not come until Granville-Barker and William Archer's proposals in 1903. A Shakespeare Memorial National Theatre committee was formed, after a proposal to erect a monstrous statue had been providentially dropped.

In 1913 a Private Member's Bill was passed in the House of Commons providing that "there shall be established a National Theatre," but not providing any money for it. The committee purchased a site, in Gower Street. War broke out in 1914. In 1924 the British Drama League launched an architectural competition, but by then the site had been sold. Other sites came and went, culminating in the triangular patch opposite the V and A, which was bought in 1937 and has been a car-park ever since, though Lutyens designed a theatre for it. War broke out again in 1939.

Before it was over, schemes for the South Bank had begun. Plan followed plan, site followed site, the scheme was to include an opera house, it was not to include an opera house. Elsom and Tomalin go through the endless delays and discussions in minute but never tedious detail. In 1962, Laurence Olivier collected his company. In 1963, as the National Theatre, it opened . . . at the Old Vic. Sir Denys Lasdun's great house opened, little by little, in 1976. One day it will all be finished.

There is an intrinsic difficulty in writing a history of something that is a continuing entity: you get to the point where you are bound to expatiate on the differences between the people who are still involved. There have been crises within the National Theatre company, and some of them—the loss of William Gaskill and John Dexter in 1966-67, Tynan's dispute with the Board over *Soldiers*, Paul Scofield's reluctance to play *Coriolanus* under Wekwerth and Tenschert, the withdrawal of Jonathan Miller and Michael Blakemore — of importance. It might have been discreet to treat such things cautiously, but this book is not concerned with discretion but with history, and the authors, without taking sides, deal frankly with them.

The National Theatre scheme can never be called "finished," for each time a curtain goes up (or house lights go down) in one of its three auditoriums it takes another step forward. But the pioneers have achieved far more than they could have thought possible. There is not *one* State-subsidised theatre; there are at my latest count 80, not to mention innumerable independent companies with no houses of their own. They are all under-financed; but they are there, and it is up to the Effingham Wilsons, the Granville-Barkers, the Jennie Lees, of our day to ensure that they stay there.

s news in brief

The Damaged Poussin

ittle over a week ago *The ition of The Golden Calf*, a r-piece by the seventeenth ry French artist Nicolas in, and one of the very st paintings in the collecilay in five pieces on the the victim of the worst ial attack in the National y's history.

a large work, and had been cellent condition: now, of , it can never be the same and to see it in its present so comprehensively ripped attered, is extremely shock- But the good news is that ht have been worse, and, than that, it was evident Press, who were shown the yesterday, that Arthur , the Gallery's chief re has achieved already a miracle.

canvas, in being slashed orn so violently from its ier, had been pulled rgely out of shape, shedpaint and crazing the h. But, though much paint ideed lost, all the canvas was retrieved, and even now the jig-saw is at least complete: the canvas has already been shrunk back into place on its new support, each piece lined up against its neighbour, thread by thread. Moreover, the gashes missed the heads, and the most significant parts of the bodies, of all the major figures in the composition, a great stroke of luck. We could see that a fair restoration is certainly possible.

The laborious but infinitely skilful business of making good the lost paint with filler, matching every tiny shift of texture and colour, will continue through the summer; and Mr. Lucas expects to have the painting ready once more for public exhibition by the end of the year.

W. P.

Army Museum's new weapons gallery

The National Army Museum in Chelsea, one of the smartest museums in London, this week opened a new gallery devoted to weapons. It traces the development of weapons from medieval times to Northern Ireland. The design, by Hulme Chadwick and Partners, makes the most of limited space by creating an intense maze-like effect which ensures that the spectator is not overwhelmed with objects.

The cases tend to be circular so the weapons can be viewed from all angles and there are special effects, including an electronic rifle range, to involve younger visitors. The earliest weapon on show is a longbow rescued from the wreck of the Mary Rose, which sunk in 1525. The latest are weapons used against urban terrorists.

David Higham Prize for Fiction now worth £500

In 1978 the David Higham Prize for Fiction is going up in value from £350 to £500. This prize, administered by the National Book League, is for the best first novel or book of short stories of the year.

The judges for 1978 are Walter Allen, critic and writer (chairman), Elizabeth Berridge, novelist and Mervyn Jones, novelist and journalist.

The prize, established in 1975 by authors' agents David Higham Associates to mark David Higham's 80th birthday, will again be awarded on his birthday, November 17, 1978.

Rembrandt drawings for Scotland

Lord Donaldson, Minister for the Arts, has accepted the recommendation of the Standing Commission on Museums and Galleries that two drawings by Rembrandt, *Tobias and Sara* and *The Sacrifice of Manoah*, should be allocated to the National Galleries of Scotland.

The drawings were accepted by the Treasury in lieu of estate duty.

COMPANY NEWS + COMMENT

Strikes hit Smiths Inds. in first half

INDUSTRIAL disputes within the company, resulting directly from continued support of the Government's pay guidelines, and within the motor industry had a severe effect on the vehicle and aerospace sectors of Smiths Industries in the half year to January 28, 1978. Group taxable earnings for the period fell from £9.56m. to £7.49m. on sales up £10.75m. at £115m.

Economic conditions in Australia were depressed and the results of the Australian company were also affected by a strike of power workers in the State of Victoria.

It is estimated that these major disputes adversely affected trading profit by about £2.5m. Elsewhere the results were in line with expectations, the directors say. There has been a good start to the second half and against a background of a lessening in the level of industrial disruption in the areas in which the group operates trading profit for the year is expected to recover the shortfall in the first six months.

Trading profit was £1.59m. lower at £8.37m. with vehicle manufacture slumping to £194,000 (£1.33m.) on sales marginally down at £16.25m. (£16.35m.) and aerospace near breakeven at £82,000 (£1.66m.) on sales 1.7m. down at £13.6m.

Marine activities improved to £698,000 (£335,000) on turnover of £7.25m. (£6.7m.) and other industries, including results of trading units in the industrial, medical, tubing and building supplies, hydraulics and air moving advanced to £2.5m. (£2.01m.) on turnover of £18.65m. (£16.9m.).

On the distributive side trading profit was ahead to £3.85m. (£3.37m.) on £36.05m. (£32.55m.) sales and overseas slipped to £1.11m. (£1.26m.) on £24.9m. (£18.3m.) sales. Internal sales amounted to £2.3m. (£1.85m.).

The net interim dividend is raised to 3.2833p (2.9866p) per 50p share. Last year a final of 4.2603p was paid from record profit of £20.51m.

Surgical Equipment Supplies, a manufacturer of autoclaves and other medical equipment, was acquired in August 1977. In March, 1978, the company acquired Harowe Systems Inc., a U.S. manufacturer of aviation instruments, which will further strengthen its position as suppliers to U.S. aircraft constructors and operators. Technisch Bureau M. Weiperman BV in Holland was also acquired in March.

	Half-year 1977-78 £000	Half-year 1976-77 £000	Year 1976-77 £000
Sales	115,000	104,250	224,030
Trading profit	8,374	9,967	21,637
Interest	877	409	1,132
Pre-tax profit	7,497	9,558	20,505
Tax	2,045	3,522	7,187
Net profit	5,452	6,036	13,318
Minorities	64	54	193
Extraord. debits	—	—	343
Leaving	5,388	5,982	12,780
Dividends	1,550	1,403	3,405
Retained	3,838	4,579	9,373

The net interest charged was higher at £877,000 (£409,000) mainly because of lower rates received on U.K. cash deposits. Tax provisions have been reduced by deferments related to allowances on capital spending and stock appreciation relief and comparative figures have been adjusted.

HIGHLIGHTS

Lex concentrates on the implications of the Budget which initially was regarded in a favourable light in the Stock Market. Elsewhere, profits at RTZ were slightly lower, in line with market estimates. Profits were also lower at Smith Industries at the half-way stage, but the company has already indicated this outcome, given labour problems at two of main customers. Flat demand hit Senior Engineering in the second half and profits for the full year are only 13 per cent. to the good.

● comment

Smiths had warned that industrial disruption would mean lower first half results. In the event, trading profits are down by 16 per cent. and margins are more than two points off at 7.3 per cent. The main impact of the British Leyland and Lucas strikes fell on the vehicle manufacture and aerospace *divisions where profits* slumped by 85 per cent. and 95 per cent. respectively. Also, currency fluctuations knocked about a tenth off profits from the overseas subsidiaries. But elsewhere, Smiths showed steady growth. Buoyant sales of vehicle replacement parts boosted the distributive division while marine interests (radar, etc.) medical and hydraulics activities also contributed. If industrial disruption is minimised in the second half then around £20m. is possible for the full year. *Drawing a line through* the interim tax charge the prospective p/e, at 135p, is 4.9 while the yield of eight per cent. is covered 3.8 times.

Good start at W. & E. Turner

The level of trading has so far, been buoyant at W. and E. Turner, say the directors, who tell members in their annual statement that with the most modern shoe chain in Britain the company will be able to take full advantage of any increase in consumer demand.

As reported on March 22, taxable profit advanced from £651,977 to a record £953,711 for 1977, on gross turnover of £10.02m. (£8.23m.).

On a CCA basis, pre-tax profit is reduced to £821,000 (£402,000) after additional depreciation of £180,000 (£126,000), cost of sales £307,000 (£240,000) less a gearing allowance of £154,000 (£116,000).

During the past five years over £1m. of profits has been invested in modernisation and the policy of opening branches with large potential turnovers has been continued, the directors report. During 1977, the company opened new branches in the New Bond Street Centre at Leeds, in the Lion Yard Development in Cambridge and also in Blackpool.

Camrex reaches £1.96m.

DESPITE A marginal fall in turnover from £24.52m. to £24.21m., pre-tax profits of the Camrex (Holdings) group of paint manufacturers, corrosion engineers, and contractors, advanced from £1.76m. to a record £1.96m. in 1977 with £1.16m., against £1.05m., coming in the first half.

Full-year earnings are shown to be up from 10.36p to 11.51p per *20p share on capital increased by* last September's one-for-four rights issue. With Treasury permission the final dividend is 2.32p net for a 3.96p (3.24p) total.

	1977 £000	1976 £000
Turnover	24,209	24,522
Profit	2,625	2,720
Depreciation	665	856
Exceptional debit	—	100
Profit before tax	1,960	1,764
Tax	981	591
Net profit	979	883
To minorities	4	49
Extra-ord. loss†	129	—
Available	846	834
Dividends	349	249
Retained	497	585

† Due to closure of French subsidiary.

Mr. A. G. Cameron, the chairman, says that trading conditions throughout the world, particularly in the marine industry, are far from easy. However, the company remains confident that further progress will be achieved.

New German offshoot for R. A. Lister

R. A. Lister and Co., of Dursley, Gloucestershire, a Hawker Siddeley company, has established a wholly-owned subsidiary, Lister Diesel GmbH in the Federal Republic of Germany, which will be responsible for marketing the range of Lister air and water cooled diesel engines up to 186 bKW (250 bhp) for industrial and marine applications and also ac generating sets from 2.75 kVA to 175 kVA. The new premises will also provide a centre for the Lister parts and after sales service.

New premises have been acquired to house the new company, which include sales and applications engineering offices, parts and services department, warehouse and *workshop* facilities.

Record £1.48m. at Sparrow

WITH TURNOVER up from £8.55m. to £11.6m. pre-tax profit of G. W. Sparrow and Sons, crane hire group, advanced from £1.31m. to a peak £1.48m. in 1977. At halfway, profit was £39,000 higher at £570,000.

Directors say 1977 was a difficult trading year especially in the U.K. and U.S. There was less work available and crane hire rates failed to reflect both the inflation induced cost rises and the substantial increases in the prices of new cranes.

The current trading conditions suggest 1978 will be a difficult year. It has begun slowly and business has been hampered by exceptionally wet weather.

But enquiries and orders for the second half of the year and through into 1979 are now building up at an encouraging rate.

In Saudi Arabia, the company has completed the first year's contract to the satisfaction of its customers and has achieved the forecast profit. The company has been awarded a further year's *contract, again involving the use* the crawler cranes for the offloading of cement. This commenced in November 1977, is worth approximately £1m., and is proceeding well, directors say.

The company has also ordered a 1,000 *ton* Gottwald, lorry-mounted crane for delivery in mid 1979, at a cost of some £2m.

The record result could not have been achieved without the substantial investment in cranes made during the past few years and good profits from the Middle East, they add.

After tax of £207,000 (£58,000), net profit was £1.27m. (£1.25m.), and earnings per share are shown at 12.54p against 11.64p after adjustment for the three-for-two scrip issue.

The final dividend of 1.29p takes the total for the year to 2.152p net per 20p share compared with an adjusted 1.928p last time. Dividends absorb £132,000 (£104,000).

	1977 £000	1976 £000
Turnover	11,598	8,551
Overseas	2,772	440
U.K.	8,825	8,111
Trading profit	3,922	2,532
Operations	3,669	2,002
Disposal fixed assets	253	250
Depreciation	1,679	1,007
Government grants	90	95
Interest charges	834	562
Loan stock interest	21	46
Profit before tax	1,478	1,312
Tax	207	58
Net profit	1,271	1,254
Prior year adjustment	72	†125
Available	1,343	1,129
Dividends	132	104
Retained	1,211	1,025

† Debit.

Schroders sees low demand for capital

INDUSTRY'S DEMAND for new capital is expected to be at a low level in 1978 and this is likely to have an adverse effect on the traditional banking and corporate finance business of Schroders, the Earl of Airlie, the chairman, says in his annual statement.

He says indications are that the current year will see a relatively low growth in the major economies an din world trade, and says that while inflation and currency fluctuations will be unsettling factors, the most worrying aspect is the growing threat of a retreat into damaging protectionist policies by leading industrial nations.

Following the increase in the capital of its American subsidiary, *Lord Airlie says the U.S.* operation is now in a position to substantially expand its commercial banking business. For 1977 U.S. profits only rose moderately as costs, including those of the capital expansion, increased offsetting the material rise in revenues.

Schroders subscribed for $13.5m. of additional equity in the American company, and three institutions subscribed $10.5m. One of these, Equitable Life Assurance, has also agreed to an initial $10m. loan (1992-96), which has already been drawn down and a further $10m. to be drawn down before 1982. The other two institutions have agreed to $6.8m. for more tha nten years.

The losses of Property Holdings International continued in 1977, although at a reduced rate. The losses were reflected in the £0.87m. £1.23m.) share of associate company losses which reduced pre-tax profit to £3.5m. (£2.21m.).

In 1977 investment realisations continued but increased operating and financial costs and the need for further provisions against certain investments more than offset some profitable sales. Any loss for the current year is expected to be materially lower.

At the December 31 balance date, deposits and other accounts, including inner reserves and tax provisions, totalled £943.8m. (£800.51m.), while loans, advances and other accounts were £505.9m. (£438.5m.), and loans to state and local authorities and banks £198.34m. (£148.64m.).

Meeting, 10, Cheapside, E.C., on May 3, at 12.15 p.m.

BP's Sardinia protein plant to be closed

BY ARNOLD KRANSDORFF

British Petroleum has decided to close down its £40m. joint protein-from-oil investment in Sardinia.

A joint statement with ANIC, a subsidiary of ENI, the Italian state oil company, said yesterday *that the two companies* were liquidating their joint company, Italproteine.

In the continued absence of any decision by the Italian authorities to restore permission to *operate the high-technology plant* and sell the product—Toprina—without restriction, the companies were not prepared to bear the £10m. maintenance costs, the statement said.

The plant, which has been in mothballs since June, 1976, is designed to produce 100,000 tonnes *a year of animal feed substitute* for calves, poultry and pigs. Production had been halted because the Italian authorities suspended a 1972 decree allowing production and sale of Toprina.

The Italians have been reluctant to give the go-ahead because of health fears, but BP and ANIC have insisted that Toprina has been proved non-toxic and completely safe. In December last year they threatened to close the plant by the end of January if permission was not forthcoming. *This deadline was extended to* make allowances for the Italian political crisis.

But now, in the words of a BP spokesman: "It's the end of the line."

The decision to liquidate Italproteine is clearly a serious blow to BP's protein investment plans and a major setback for this technology in Western Europe.

No decision has been made yet on BP's next move. A liquidator *still have to be appointed and the* future of the factory will then be in his hands.

One possibility is that ANIC might make a bid for the plant. Another is that it could be dismantled and relocated elsewhere in the Common Market where permission has already been obtained.

B Psaid that although no policy had been decided upon, there was the possibiilty of similar joint ventures in other countries. Interest had come from Russia, Saudi Arabia and Venezuela.

There was no intention of abandoning the technology, in spite of the substantial write-offs that will have to be incurred, he added.

£1m. saves jobs for teachers

AN ADDITIONAL £1m. outlay by Northamptonshire County Council is to safeguard the jobs of more than 150 teachers and road crossing patrols, who faced redundancy because of cuts in education spending.

ISSUE NEWS

British Leyland terms

British Leyland has entered into an agreement with the National Enterprise Board under which the NEB has underwritten, free of charge, a rights issue of *898,065,620 Ordinary shares of 50p* each in Leyland at par. This is subject to the passing at the EGM convened for April 14, of the resolution increasing the authorised share capital from £150m. to £650m.

The new shares will be offered by way of rights to Ordinary shareholders and holders of the 7½ per cent. Convertible Unsecured Loan Stock 1982/87 of British Leyland Motor Corporation registered at the close of business on April 11. The issue is *on the following bases: 17 new* shares for every five shares and 17 new shares for every £27.50 nominal of the convertible stock.

The new shares will be offered at the minimum issue price permitted by law of 50p each, payable in two instalments: 30p per share on application, and 20p per share by September 28.

Application will be made to the Stock Exchange for the new shares to be admitted to the Official List. It is intended to post a circular giving details of the *rights issue on April 21.*

As shareholders and convertible holders who wish to acquire further shares are likely to be able to buy them in the market at materially less than 50p per share, the Directors would not expect or recommend them to subscribe for any of the new shares, and the Directors themselves do not intend to do so.

Yearlings up to 8½%

The coupon rate on this week's batch of local authority yearling bonds has risen from 8¼ to 8½ per cent. The bonds are again issued at par and due on April 18, 1979.

This week's issues are:—City of Liverpool (£2½m.). Warrington Borough Council (£¼m.). Borough of Eastleigh (£¼m.). Alnwick Borough Council (£¼m.), Roxborough District Council (£¼m.), *Staffordshire County Council* (£1m.), Allerdale District Council (£¼m.), Medina Borough Council (£¼m.), Restormel Borough Council (£¼m.). City of Salford (£½m.). Gravesham Borough Council (£¼m.), Cumbernauld and Kilsyth District Council (£¼m.). City of Cardiff (£2m.), Borough of Cynon Valley (£1m.), Nuneaton Borough Council (£¼m.).

Two-year bonds carrying a coupon of 9¾ per cent. and dated April 9, 1980 at par are issued by South Northamptonshire District Council (£¼m.), City of Exeter (£¼m.).

Vale of White Horse District Council is raising £¾m. of 10¼ per cent. bonds dated April 8, 1981 at par, also West Lancashire District Council is raising £¼m. and Borough of Milton Keynes is raising £½m.

The Borough of Epsom and Ewell is raising £¼m. of 11¾ per cent. Bonds dated April 1, 1983 at par.

Five-year variable rate bonds dated April 6, 1983 and carrying a ¾ of a point margin over LIBOR are issued by Ribble Valley Borough Council (£¼m.) and *London Borough of Harrow* (£¼m.).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Camrex (Holdings)	2.32†	—	1.77	3.96	3.24
Lyon and Lyon	3.5	May 12	1.13	6	2.26
RTZ	6	July 3	4.82	9.5	8
Senior Engineering	0.58	June 2	0.52	1.17	1.06
Smiths Industries ... int.	3.29	June 12	2.99	—	7.25
G. W. Sparrow	1.29	—	*1.16	2.15	*1.93

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Senior Eng. slows in second half

TURNOVER for 1977 of the Senior Engineering Group expanded from £41.97m. to £51.63m. and pre-tax profits ahead from £4.71m. to £5.38m. ended up after a rise from £2.21m. to £2.62m. in the first half.

Full year attributable profits were ahead from £2.23m. to £2.51m. and as promised the dividend total is lifted from 1.058p to 1.1671p net with a final of 0.5836p.

	1977 £000	1976 £000
Turnover	51,629	41,971
Trading profit	5,439	4,817
Interest charges	139	110
Profit before tax	5,300	4,707
Tax	2,786	2,474
Net profit	2,514	2,233
To minorities	2	6
Leaving	2,512	2,227
Dividends	873	776
Retained	1,639	1,451

The directors say that although the results are good due to the impact *of world over-capacity* for engineering products trading profit margins have been under pressure.

Only by improved efficiency has the group managed to show some small improvement in the second half but nevertheless margins dropped by 1 per cent. overall. Allowing for the fact that there were more working days in the first six months than in the second half, the growth in turnover declined.

The *diversity of the group's* engineering interests has enabled many years of uninterrupted growth, whereas specialised companies have found it more difficult to weather the recent years of recession. Certain divisions are quietly optimistic for 1978 members are told but in the present economic climate it is difficult to forecast the likely profits for those divisions whose products are sold on a short delivery period.

Nevertheless the group is well equipped to take advantage of any improvement in trading conditions and will strive to extract the maximum benefit out of the present depressed situation.

● comment

A somewhat flat second half, which bore the brunt of the year's difficult trading conditions, left Senior Engineering with an unexciting 13 per cent. rise in pre-tax profits on a sales gain of 24 per cent. Despite the encouraging noises made about its order book at end-1976, its light engineering and steel tube divisions appear to have met low demand for its products throughout the world on top of the continuing recession in the U.K. Trading margins came under pressure throughout the year and were down by one point to 10.5 per cent. However, the group's diversified interests may prove to *be its key to future growth should* demand for its engineering products pick up from the present depressed situation. The shares at 22½p yield 8.2 per cent. covered 2.9 times and the p/e is 6.4.

Lyon & Lyon meets forecast

AS FORECAST in defence of the subsequently unsuccessful bid from Clyde Petroleum, pre-tax *profits of Lyon and Lyon* reached *a new record* in 1977 with £635,526 compared with £624,424 on turnover of £6.17m. against £5.24m.

After tax on the ED19 basis of £212,360 (£213,686 restated) earnings are shown to be ahead from 12.4p to 12.9p per 25p share and as promised the dividend total is hoisted from 2.26p to 6p net with *a final of 3.5p.*

In September, reporting first half profits up from £193,266 to £339,642, the directors confirmed their forecast of increased full year profits and said a programme was being pursued to develop simultaneously the vehicle distribution, road transport, ship repairing and ship components of the group.

After extraordinary charges of £49,401 (£51,348) the full year attributable balance rose from £359,390 to £373,765.

● NEWS ANALYSIS—LESLIE & GODWIN

Moving into the big time

BY JOHN MOORE

IF THE bid from U.S. insurance broker Frank B. Hall is successful, Leslie and Godwin will be moving into big company. Hall is the third largest quoted broker in the U.S. (number four if the private company Johnson and Higgins is taken into account) in a league headed by Marsh and McLennan and Alexander and Alexander.

Hall's revenues in 1977 were $149m., which represented a near 20 per cent. increase on the previous year. Pre-tax profits were $39.4m., compared with $32.3m., giving earnings per share of around $2, as against $1.65—a marked contrast to the uninspiring figures announced yesterday by Leslie. Profits for 1977 are only marginally higher at £4.13m. pre-tax despite the absence of substantial non-recurring losses in the previous year's figures.

An important reason for Leslie's pedestrian record, at a time when other insurance brokers have been expanding rapidly making the sector one of the most glamorous in the City, has been its lack of U.S. connections.

U.S. links

In recent years U.S. links have been particularly important. Shortage of local capacity has sent an increasing proportion of U.S. business to London, and the benefits in sterling terms have been substantially inflated by currency movements.

But Leslie has been unable to establish any sort of significant presence. The group has no direct involvement in North America, and its rather limited network of correspondent relationships was hit badly by the failure of one of its principal sources of U.S. domestic business, Pritchard and Baird Inc., with which the group had an exclusive arrangement to handle non-marine re-insurance. Pritchard's bankruptcy left a big dent in Leslie's 1976 figures—it required a pre-tax provision of £868,000.

This did not represent the complete closure of Leslie's U.S. business. The group has continued to deal with many of the leading U.S. direct insurance brokers, such as the Despard International subsidiary of Fred S. James in marine classes.

More successful

But other U.K. brokers have been much more successful in the U.S. C. T. Bowring, for instance, has trading relationships with several of the major U.S. insurance broking groups. It has also purchased a fifth share in Victor O. Schinnerer, a subsidiary of Marsh and McLennan and a professional indemnity specialist.

Sedgwick Forbes, which probably handles more direct insurance business from the U.S. than any other broker, was created by the merger of Sedgwick Collins and Price Forbes in 1972. After this merger the group had links with all the major U.S. brokers. Willis Faber, another leading broker, enjoys a long-standing relationship with Johnson and Higgins which produces all the group's direct marine and aviation business in the U.S.

Elsewhere, Minet has taken a stake of 10.5 per cent. in the ordinary share capital of Fred S. James, the fifth largest U.S. broker. James in turn holds a 31.8 per cent. stake in Minet's non U.K. and non-North American broking subsidiaries.

Most of the other big brokers have equally close links with North America. In fact if the Hall bid for Leslie goes through, Hogg Robinson will be the only major U.K. broker lacking a substantial presence in the U.S.

For Leslie the takeover by Frank B. Hall would not only close a big gap in its business, it would also allow the group to bring its internal controls up to date quickly. An extensive overhaul of management systems has been taking place over the last 15 months or so, but not yet —it would seem—with much impact. "The reorganisation hasn't been going too smoothly," admitted the group yesterday, "and we've been rather slow on the computer game."

As a result the group's expenses have climbed faster than its revenues over the last year. This is one of the main reasons for the dull profits performance.

Rothschild connection

There has been a close Rothschild connection with Leslie for some years past—Mr. Jacob Rothschild is the current chairman—and Rothschild Investment Trust's strategic holding in the group has often been touted by speculators as a platform for a potential takeover bid. Indeed the group's image as a rather poor relation in a very lively sector has made Leslie one of the City's favourite bid stories for some time.

RIT currently holds 10.5 per cent. of Leslie's equity, and will have 20 per cent. of the new company which, it is planned, will be established to make the bid.

For Leslie and Godwin, which attempted to merge with Sir James Goldsmith's Wigham Poland back in 1976, a move to extend its markets, the search for size looks to be over.

IMI plans to spend £22m.

SPENDING ON fixed assets by Imperial Metal Industries, the metal refining, fabricating and slide fasteners group, was expected to increase from £15m. last year to £22m. in 1978, Sir Michael Clapham, the chairman, told the annual meeting.

About £19m. would be spent in the U.K., "but we are determined to invest overseas when suitable opportunities occur," both to provide export pull for IMI's U.K. companies and to reduce group dependence on the U.K. economy. Group policy was to invest in product areas where there was synergy with present operations, Sir Michael added.

"The new products we intend to make will generally have a higher added value than those of our original copper semis business, like fluid power and drink dispensing for example," the chairman said.

But very large investment would need to be made in IMI's traditional areas, too, both to keep up with new developments and to remain competitive in home and export markets.

With still no general increase in demand so far in 1978 from the industries served by IMI, Sir Michael said he could not predict group prospects for the current year with any accuracy.

For the U.K. manufacturing industry as a whole he predicted another year of low growth. But he remained confident of IMI's ability to increase turnover and profits, given a favourable economic and industrial climate.

The chairman said Britain's current rate of inflation was still well above that of most of its major competitors, which restricted ability to invest for the future.

"Unfortunately, most economists foresee that the rate will increase again later in the year," Sir Michael told the meeting. "We must all strive to prove them wrong."

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Ferry Pickering, Kalamazoo, Startrite Engineering.

Finals—Amalgamated Metal Corporation, Babcock and Wilcox, Henry Boot, Carpets International, Christies International, Danish Bacon, Eagle Star, Empire Stores (Bradford), John Finlan, E. Fogarty, Glynwed, Guardian Royal Exchange, Oil Exploration, Rhodesian Corporation, Richardsons Westgarth, Rowan and Boden, William Sindall, Tallemache and Cobbold Breweries, Wilmot Breeden, Arthur Wood.

FUTURE DATES

Interims—	
British Car Auction	Apr. 13
British Empire Securities and General Trust	Apr. 14
Lhread	Apr. 25
Marley	May 25
Samuel Properties	Apr. 13
Spencer Gears	Apr. 26
Vaux Breweries	May 10
Finals—	
Armitage Brothers	Apr. 14
City Hotels	Apr. 20
Currys	Apr. 17
Deritend Stampings	May 10
Firmin	Apr. 14
General Investors and Trustees	Apr. 13
Helene of London	Apr. 18
Boveringham	Apr. 17
Matthews Wrightson	Apr. 14
Melville Dundas and Whitson	Apr. 24
Owen Owen	Apr. 20
Scottish Mortgage and Trust	Apr. 20
Securities Trust of Scotland	Apr. 19
Wight Construction	Apr. 26

Aberdeen Harbour ahead to £1.37m.

From total operating revenue of £4.3m. against £3.37m., the pre-tax surplus of Aberdeen Harbour Board climbed £1.04m. to £1.37m. in 1977.

The operating surplus of £1.81m. (£1.69m.) was after a programme of exceptional major maintenance and dredging amounting to £0.87m. (£0.3m.).

After all charges, the surplus retained for investment within the port amounted to £349,586 compared with £399,977 in the previous year.

In his review, Mr. R. J. C. Fleming, the chairman says capital expenditure, less disposals, during the year amounted to £1.29m., but that the major modernisation programme embarked on six years ago is now past its peak and that, because of capital debt repayments, interest charges are falling.

North Sea oil activity has remained at a high level and revenue to the port from this source again increased. In 1977 the number of supply vessel arrivals reached a new record level of 4,189, representing 3,284,867 gross registered tons.

Barrow Hepburn to develop non-leather interests

THE DIRECTORS of Barrow Hepburn Group intend developing the growth prospects of its non-leather interests, and a higher performance from these areas is expected in 1978, Professor Roland Smith, the chairman, says in his statement with accounts.

He says the revival of the chemical industry, a rise in consumer spending and a good order book for machinery provide a better outlook.

The chemical division struck the difficulties of the French textile industry in 1977, but some recovery occurred, beginning last autumn. This has continued into the current year, with the division opening 1978 with resumed profit growth.

The company has completed its investment in new plant in Atlanta, Georgia, U.S., and the increased capacity is now being utilised.

The current order position for the machinery and manufacturing division has confirmed the division's strong position, he says. New capital investment for the rubber and plastic compounding companies will come on stream this year and the 1977 performance of its paper bags and cartons subsidiary has justified further investment in its carton department.

On the merchanting and consumer products side, Australasia was the outstanding performer last year, but since the year end conditions in Australia have become more difficult.

The Chelsea Cobbler has continued to progress and Basil Lamb is trading well. Satisfactory expansion is being achieved by Barrow Hepburn Equipment.

Group pre-tax profit for 1977 was down from £3.41m. to £3.19m. before a £454,000 net of tax provision for likely losses from a non-consolidated subsidiary, Schrader, Mitchell and Weir, and a £1.9m. extraordinary write off on assets transferred to British Tanners Products.

Directors now believe that the losses from Schrader will be "very substantially greater" than the provision in the accounts, and in view of the uncertainty, do not consider it appropriate to increase the provision.

Because of this uncertainty, auditors Mann Judd say they have been unable to form an opinion as to whether the accounts give a true and fair view of the affairs of the group.

Directors say that after the net provision (£945,000 gross) the balance of the subsidiary's net indebtedness to the group at December 31 was £189,000.

An investigation is under way by accountants Whinney Murray into the irregularities in the finances of Schrader, which have occurred in connection with the company's suppliers and customers.

Directors have been advised that the irregularities may involve fraud. The irregularities came to light when Barrow decided to substantially reduce Schrader's business, following the transfer of the group's tanning interests to a joint venture company, British Tanners Products, which is 50 per cent.-owned by the National Enterprise Board.

The accounts show the Barrow investment in BTP at £1m. of equity capital and £4.5m. of loan capital, with £4.69m. due to BTP and £89,000 from BTP.

As well as the £1.9m. write-off, BTP last year contributed a trading loss of £1.22m.

During the year there was a £2.16m. decrease (£2.19m. increase) in group working capital.

NEW COURT PROPERTY FUND

The next issue of units in the New Court Property Fund will take place during the period up to April 15, 1978. The offer price will be 121.6p xd per unit, providing an estimated gross yield of 5 per cent.

During the course of the past 12 months the offer price of units has risen from 106.3p to 121.6p exclusive of income, and in addition there will be a distribution amounting to some 6p gross per unit in respect of the year.

The total value of the Fund has risen from £13m. to £25m

Minorco takes ZCI under its wing

MINORCO, the Bermuda-registered investment arm of Anglo American Corporation, is stepping in to fulfil the obligations of Zambia Copper Investments, its 49.9 per cent.-owned associate, in the restructuring of Botswana RST, the holding company for the ill-starred Selebi-Pikwe nickel-copper venture in Botswana.

This allows ZCI to fend off the possibility of seeking to sell off perhaps all its assets or face the possibility of a capital reconstruction consequent upon a rights issue. But Minorco will have first call on ZCI's cash revenue and will have to give its approval before any dividend payments are made by ZCI.

The moves to prop up ZCI in the face of demands for fresh funds to pull Selebi-Pikwe round *to a medium-term profitability* come at a time when ZCI is already in a serious financial position, hit by the weakness of the copper market and deprived of recent dividends from Zambia and Rhodesia.

Minorco will loan on current estimates $19.3m. (£10.3m.) to ZCI so that the latter will be able to meet its 19.7 per cent. share of the scheme for restructuring the finances and marketing arrangements of Selebi-Pikwe that *were announced last month.*

The facility will mature at the end of 1993 and carry an interest rate of 1.75 per cent. more than the Barclays London interbank rate on six months U.S. dollar deposits. ZCI will also pay Minorco a *1 per cent. a year* guarantee commission.

Although ZCI will have to use all its freely transferable funds towards meeting the costs and capital of the loan, repayments will be conditioned by cash flow, leaving outstanding balances to be compounded and carried over.

But ZCI's obligation to Minorco does not stop at this point. After the loan has been repaid Minorco will be entitled to receive 75 per cent. of any cash flow ZCI receives *from Selebi-Pikwe until it has* received a 15 per cent. compound return on its advance to ZCI. *Thereafter the proportions change* to 50 per cent. of cash flow and a 20 per cent. return, followed by 25 per cent. of the cash flow.

In addition, ZCI has undertaken not to raise loan funds, pay dividends, sell assets, make expenditure of more than $1m. or enter any arrangement which would affect its ability to meet its *obligations to Minorco.*

The effect of these arrangements is to make ZCI more of a satellite than an associate of Minorco, a factor which will, no doubt, be taken into account in the event of any further reorganisation of the Anglo American group.

But, for the directors of both companies, *this new arrangement* is the best of a bad job. Pushing on with Selebi-Pikwe at least offered the hope of a return. Had the project been closed down—at a total cost of $188.2m. (£100.3m.) —or had Minorco and ZCI not *taken part in the restructuring,* then the cost to Minorco would have been $29m. (£15.4m.).

MINING NEWS

Rio Tinto-Zinc fights 1977 to a draw

BY KENNETH MARSTON, MINING EDITOR

THE RECOVERY in sterling has had a backlash on 1977 results of Rio Tinto-Zinc, the U.K.-based international mining and industrial group. Net profits, before extraordinary items, come out rather better than expected at £82.3m. against £81.3m. in 1976, *earnings per share being 32.68p* against 32.34p.

Following the half-time forecast of a final of "not less than 5p," the group is declaring a final of 6p which makes a total for the year of 9.5p compared with 8p *for 1976. Because of its high* level of overseas earnings and assets, the group is not subject to U.K. dividend restraint.

But another aspect of overseas funds at a time of firmness in sterling is shown in the extraordinary net charge of £40.4m., which reflects the fall in the sterling equivalent of prior year's earnings retained in overseas subsidiaries. A year ago there was a credit on this score of £36.1m. which was reduced by exchange losses on foreign currency loans and other charges to £10.4m.

Furthermore, the fall of £7.3m. to £271.5m. in the past year's pre-tax profits is more than accounted for by the exchange loss on translating the 1977 earnings of overseas subsidiaries. In fact, the group's profits would have been some 7 per cent. higher than in 1976, but for the increase in the value of the pound.

	1977 £m.	1976 £m.
Sales revenue	1,523.3	1,672.5
Operating profit	253.5	274.2
Share of assocs.	27.8	21.2
Divs. & int. receivable	32.7	33.3
Interest payable	51.3	49.9
Profit before tax	271.5	278.8
Tax	130.1	131.3
Net profit	141.4	147.5
To minorities	59.1	66.2
Extraord. debit	40.4	*10.4
Available	41.9	91.7
Preference dividends	0.4	0.4
Ordinary dividends	25.9	19.2
Retained	15.6	72.1

* Credit.

The group's copper operations, which contributed some 16 per cent. of last year's pre-tax profits, were dampened by the fall in the average copper price to £750 from £779 per tonne in 1976. Nearly all the other operations, apart from zinc, did better including the U.K. activities.

While RTZ has done better in the second half of last year than Sir Mark Turner, the chairman, anticipated back in September, the current year's outlook may bear out his earlier warning. Copper and zinc, for example, remain depressed while the Hamersley iron ore operation in Western Australia is facing a sharp fall in profits.

RTZ Borax is still doing well as are the aluminium activities; but on present showing it is difficult to anticipate much of an improvement at any of the group's activities. On balance, *therefore,* the group is heading for a fall in earnings this year unless there is to be a sizeable pick-up in lead, *zinc and copper prices.*

Taking a longer view, RTZ is well placed to live through lean times until the eventual improvement *in world economies* opens a new era of earnings growth for a group which has the important assets of relatively young mines and new deposits for future exploitation.

Following the latest results RTZ shares moved up to 201p only to react to close with a net gain of 3p at 195p in active trading yesterday. Whether this level will be sustained pending the publication of the annual report on April 26 remains to be seen, but it is difficult to see the shares attracting much interest while base-metal prices remain in limbo.

A good quarter for Kloof

THE FEATURE of an otherwise inauspicious start to the March quarterly reporting season of South Africa's *gold* and *uranium* mines is provided by the Consolidated Gold Fields group's Kloof. *Despite a lower than average gold* price received during the quarter of $168 per ounce compared with $177 in the previous three months, the mine has raised its March quarter net profit by 17 per cent. to R7.64m. (£4.71m.).

Now having recovered from the effects of last year's underground fire, Kloof boosted its mill tonnage last quarter with a consequent reduction *in* costs and also raised the gold grade of the ore handled.

For the other mines in the *Gold Fields group it has been a* case of lower net profits despite satisfactory gold prices received. *East Driefontein,* for example, received $174 compared with $167 in the December quarter and also raised its milling rate. But gold production dropped as a result of a fall in the ore grade.

Doornfontein was similarly affected while West Driefontein and Libanon received virtually un*changed gold prices of $172 and* $176, respectively. Venterpost suffered from a fall in production and a rise in costs to above the break-even level. State aid has kept the mine out of the red.

Previously, quarterly gold mining results tabulated in these columns have shown working surpluses. The latest figures, shown below, together with those of the previous two quarters are in line with a new policy which is to show net profits after tax, but before capital expenditure.

	March qtr. R000	Dec. qtr. R000	Sept. qtr. R000
Doornfontein	2,388	2,780	1,580
East Driefontein	20,448	25,147	19,554
Kloof	7,642	6,525	5,702
Libanon	3,885	4,135	2,922
Venterspost	†125	†1,058	†798
Vlakfontein	136	*138	77
West Driefontein	22,188	23,703	18,023

* Loss. † After receipt of State aid.

De Beers' £128m. Botswana mine

THE DECISIVE preparations for the development of a new, major diamond mine in Botswana have been completed with the formal announcement yesterday of a joint venture between the Government and De Beers Botswana Mining, a subsidiary of De Beers Consolidated.

Production at the mine, which is in Jwaneng, will start in 1982 *after the expenditure of £128.7m.* on construction. The initial rate will be 3.5m. carats a year, rising to 6m. carats in the mid-1980s, thus exceeding the combined output of the group's Orapa and Letlhakane mines in central Botswana.

The effect will be to double the Botswana Government's diamond income when the mine *comes to full production and to* consolidate De Beers' dominance in the international industry. The diamonds will be marketed through the Central Selling Organisation.

The broad lines of the agreement between the Government and De Beers follow predictions made earlier this year. The Government's interest will be between 50 and 70 per cent.

The Government will receive 50 per cent. free of consideration, but it has an option lasting until *the end of the year* to acquire a further 20 per cent. by subscription. There seems little doubt this will be taken up.

The announcement said that the First National Bank of Boston had been retained to arrange financing on the Eurodollar market for the Government's share of the paid equity subscription.

The greater part of the con*struction costs will, however,* be met by De Beers. Approximately 10 per cent. of the funds will be financed by export credit but De Beers will raise the balance in the form of equity.

Although the operations of De Beers Botswana are now being extended, the Government's share of the profits from its operations through royalties, taxes and dividends *will remain much the same* as it is now—in the region of 65-70 per cent.

The company will have a 25 years lease on the development and operation of the mine.

The development package for *the mine has been put* together with some speed, presumably reflecting the determination of the Botswana Government to *exploit the deposit* as quickly as possible "bearing in mind marketing constraints," as an official put it, last June.

The first disclosure that an important diamond pipe had been discovered at Jwaneng came only *a year ago although* De Beers found the first indications in 1973. The pipe is overlaid by sediment to a depth of between 30 and 50 metres.

The gem content at Jwaneng is higher than Orapa but lower than Letlhakane. This would put it at a conservatively estimated 20 per cent.

At present the De Beers group *mines some 44 per cent. of the* world's gem diamonds. The development of Jwaneng, in addition to expansion already taking place or planned within the group, will raise this figure to about 55 per cent. by the mid-1980s.

De Beers shares were firm yesterday, closing 5 higher at 326p.

MINING BRIEFS

Anglo American Corporation—Coal division sales output for March (figures are stated in metric tons)—**Republic of South Africa: Bituminous:** Amalgamated (*Cornelia*) 292,204, *Anglo Power* (*Arnot*) 437,482 (Kriel) 271,860. Blesbok 29,591. Coronation (Bank) 194,376. New Largo 92,620. S.A. Coal Estates 329,730. Springbok 176,575. Springfield 230,598. Vryheid Coronation (Coal) 29,900. (Coke) 40,229. **Other Collieries:** Vierfontein 120,613. Zuinguin Natal's Indumeni Colliery 26,117. **Anthracitic:** Balgray 12,310. Natal anthracite 57,058. Wankie (Coal) 193,231. (Coke) 15,813. Swaziland Collieries' Mpaka Mine 1,033. Morupule 30,548. Group total 2,382,420.

Australian Mining and Smelting—**Ore treated** (tonnes) 380,079 (385,933). **Assaying:** Lead (per cent.) 7.2 (8.0). Silver (grams/tonne) 53.0 (66.0). Zinc (per cent.) 10.7 (10.3). **Production: Lead concentrate:** (tonnes) 34,921 (38,111), containing: Gross lead (tonnes) 26,049 (28,631), Silver (kilograms) 19,819 (22,277). **Zinc concentrate** (tonnes) 74,261 (73,201), containing Zinc (tonnes) 38,514 (38,190).

Excess Insurance jumps to £8.2m.

Pre-tax profits of Excess Insurance Group, a member of the ITT Corporation, rose in 1977 from £5m. to £8.2m. Short-term underwriting losses were reduced from £4.6m. to £3.8m., long-term profits rose from £99,000 to £232,000 and investment income, after the transfer to the long-term revenue account, amounted to £12m. against £9.5m. Tax came to £2.2m. against £308,000 and net profit totalled £6m. compared with £4.9m.

Mr. W. L. Samengo-Turner, in his chairman's statment, reports premium income, net of reinsurances, of £89m. in 1977 against £74m. Over half the general premium income is generated in the U.S. so the real growth in premium income is understated when expressed in sterling terms because of the strength of sterling last year.

In the U.K., the development of *the group account* continued with satisfactory results in motor and industrial fire sectors, but home-owners business remained un*profitable. Employers' liability* showed some deterioration from the continuing impact of inflation. The overseas results showed a further deterioration mainly from declining rates in the industrial fire market in most overseas territories. Mr. Samengo-Turner, welcomed the reduction in underwriting losses which in 1977 represented 4.3 per cent. of premium income compared with 6.2 per cent. in 1976. The group was continuing its efforts to reduce these losses particularly in the marine *and aviation sectors.*

Premium income on long-term business in 1977 was little changed from the previous year at £2.6m. Investment income was lower at £0.9m., but this was more than offset by a £2.4m. rise in investment values. Claims and expenses were slightly higher at nearly £3m. so the fund stood at £14.1m. at the end of the year against *£10.4m. at the beginning.* Mr. Samengo-Turner, reports that the actuarial valuation disclosed a surplus of £771,000 of which *£231,000 was transferred to profit* and loss. The group is going ahead with its plans to have just one life assurance operation in the U.K. by the merger of Excess Life Assurance with London and Edinburgh Life Insurance.

Dividends amounting to £1.6m. were paid from profits last year leaving capital and surplus available to the group of £35.8m. *Expressed as a percentage of* premium income, grossed up for commission, this amounts to over 38 per cent.

COMPANY NEWS IN BRIEF

CHEPSTOW RACECOURSE CO—*For 1977* turnover £280,897 (£266,265), loss £12,037 (£8,531) after tax credit £5,600 (debit £3,480). Loss per share 0.108p (0.059p). No dividend (same).

DERWENT VALLEY RAILWAY COMPANY—Net revenue for 1977 £28,762, after adding the balance brought forward, appropriating unclaimed dividends for 1964, deducting fixed charges, making provisions for corporation tax and deferred tax, and transferring £12,000 to general reserve. £26,295 available to shareholders. Dividend at 3.5p (net) per *share on Preference shares,* and 5.094p (net) on Ordinary shares, which will absorb £3,627. Leaving £22,768 to be carried forward.

DIXOR—Turnover £152,506, for nine months to October 1, 1977 (£204,296 for previous year). Profit £9,979 (£30,061) before tax credit £461 (debit £13,953). Goodwill written off £13,281 (nil). Attri*butable loss £2,841 (profit £16,108).* Loss for period £3,584 (profit £9,437). Earnings per 5p share, before writing off goodwill, 0.93p (1.44p). Dividend 0.2456p net (0.5954p). A revaluation of the freehold property at Mortlake which has been empty for three years has caused it to be written down by £20,000 which is being charged directly to reserves. Board, however, has plans for *the property* which could lead to the realisation of a more substantial sum. Unaudited profits for first five *months* of current year total £25,450 and provided this trend continues Board anticipates paying former annual dividend rate for year to end of September, 1978.

EAST LANCASHIRE PAPER GROUP—*Results for 1977 reported March 15. Chairman* says that with improved efficiency and continuing technical development in mind, the mill's capital expenditure programme over 1977 and 1978 will total over £1.4m. CCA statement shows adjusted profit before tax for 1977 £753,000 after additional depreciation £486,000, cost of sales adjustment credit £3,000, gearing *adjustment £33,000. Group fixed assets* £5.13m. (£4.69m.). Net current assets £4.01m. (£3.36m.)—bank balances and cash £231,276 (£3,819) and overdraft nil (£1.34m.). Ex gratia payment of £8,571 made to retiring director. Menteith Investment Trust has an interest of 16.05 per cent. of the equity. Meeting Radcliffe, May 4 at 11.45 a.m.

HIGH GOSFORTH PARK (racecourse proprietors and estate owners)—Turnover for 1977 £461,894 (£320,504). Profit £17,550 (£11,083) after tax £6,173 (£14,279). Add special tax credit £4,222. Dividend 10.9175p (9.925p). Earnings per £1 share 19.29p (12.15p).

ROSEDIMOND INV. TRUST—*Results* for year to January 31, 1978, reported March 8. Listed investments in Great Britain £3.49m. (£4.35m.), outside Great Britain £188,850 (£15,65). Unlisted £13,754 (£41,224). Current assets £768,009 (£440,219), liabilities £661,045 (£220,964). Increase in liquidity £34,704 (£10,418 decrease). Meeting, 41 Bishopsgate, EC, on May 11 at 11 a.m.

WATMOUGHS (HOLDINGS) (Printers)—Results to December 31, 1977, already known. Net current liabilities £0.75m. (£0.35m.), fixed assets £4.14m. (£3.12m.), decrease in working capital £0.29m. (£0.18m increase). Chairman says year has been encouraging, and expects a year of growth. Meeting, Horsforth, near Leeds, April 27 at noon.

WEST RAND CONSOLIDATED MINES—Results for 1977 already known. Fixed assets R24.68m. (R23.58m.), current assets R10.9m. (R11.22m.), current liabilities R7.87m. (R10.21m.), Working capital increased by R1.73m. (R1.29m.). Meeting, Johannesburg, May 1.

H. WOODWARD AND SON (commercial vehicle bodies, civil engineering)—Results for year to September 30, 1977, already known. Group fixed assets £658,751 (£628,914), net current assets £1.13m. (£705,790). Working capital increased by £404,009 (£307,220). Group has phased out subsidiary Charles Reid and Son and the industrial equipment division, as from December 31, 1977, because of fall in demand and profitability. Meeting, Formby, Liverpool, April 28, at 3 p.m.

BIDS AND DEALS

CDFC spends £2m. in Australian deals

IT IS reported that Commonwealth Development Finance Company owned by a consortium of 160 U.K. companies, banks and financial institutions, including the Bank of England, has paid $A3.4m. (£2m.) to acquire the issued capital of two Australian companies—Electrical Investments and Godfrey's Property.

The move is a departure from CDFC's traditional style of only acquiring minority interests in companies, and marks the first major acquisition by the U.K. based overseas investment house.

The purchase of the companies for cash was made through the finance company's wholly owned Melbourne subsidiary — CDFC Australia.

The larger purchase is for Electrical Investments, an *Adelaide-based hire purchase and* small business investment company, which values the company at $A1.74m. or $2 a share for each Ordinary 50 cent share against an asset backing of $A1.69 a share.

Mr. Pearl, the London managing director of CDFC said: "These acquisitions provide us with two successful companies and an additional base for expanding our finance for small business activities in Australia.

"While we will make no change to the existing management of either company—other than integrating administrative procedures —we hope to learn from the experience of EIL in the financing of very small businesses and, if we like what we learn, to expand those activities."

CDFC Australia was established in 1963 to provide venture equity capital and loan finance for new small and medium-sized businesses or existing ones seeking ex*pansion.*

Current worldwide holdings of CDFC amount to £32.1m. of which Australia and Papua New Guinea represents the largest single area of investment, with a loan and investment portfolio of £5.98m., representing 16.7 per cent. of the total.

JOHNSON SHARES UP DESPITE DENIAL

Shares of Johnson Group Cleaners closed 7p up on the day at 95p despite firm denials from the chairman, Mr. John Crockatt of any bid approaches.

The market continued to link the company with Advance Laundries, with which Johnson has long trading links. However, the managing director of Advance, Mr. J. C. T. Hansen, *also* denied that there had been "any serious talks between us for a year or so." Mr. Hansen also pointed out that Advance was steadily moving out of the domestic laundry and dry cleaning field in which Johnson specialises.

The share flurry has occurred virtually on the anniversary of the abortive bid by Sketchley for Johnson which lapsed *on March* 25 last year. Since then Johnson's profits have increased from £1.4m. to just over £2m.

BMCT TO BUY E. T. BARWICK

Hambro America Inc. announces that Birmingham and Midland Counties Trust has signed a memorandum of intent to purchase all the *shares of E. T.* Barwick Industries Inc. of Atlanta owned by Mr. E. T. Barwick and members of his family.

The shares to be acquired represent about 83 per cent. of the shares outstanding.

The purchase is subject to certain conditions including restructuring of institutional and bank debt *in a manner acceptable* to Birmingham and Midland and preparation and execution of a definitive purchase agreement satisfactory to both parties and their counsel.

Closing is expected to be no later than June 30.

Stirling Knitting expands

Stirling Knitting, the Manchester based knitwear group, has acquired D. Verblow, manufacturers of ladies' and children's outerware, for £399,000 cash.

Stirling said yesterday that the deal would provide additional manufacturing capacity as well as extending the group's product range into children's clothes.

An additional payment of *£60,000 will be payable if average* pre-tax profits from Verblow over the next three years are not less than £90,000.

Verblow pre-tax profits for the year ending July 31, 1977 were £158,266 but this included the benefit of certain government grants which have now ceased. Net tangible assets at that date were £355,092.

Reliance Knitwear Group, of Halifax, also announced yesterday that it has launched a new sportswear subsidiary, Reliance Sportwear, with Mr. Mike Tagg, an international athlete, as its marketing director.

MILN MARSTERS

Shares of Miln Marsters, the Norfolk based seeds and plant breeding group, which is on the receiving end of a 200p a share a bid approach from Hilleshog closed at 202p last night, after *having been suspended at 163p on* Monday.

Hilleshog, a Swedish company, which already owns 25.4 per cent. of the group recently agreed—subject to Exchange Control consent—to increase this stake by 14.8 per cent. and under Takeover Panel rules is now proposing to bid for the remaining shares.

The group achieved its original *stake when Miln* negotiated a trade agreement with the Swedish company three years ago—under which Miln has exclusive rights to sell Hilleshog's *monogerm* sugarbeet seed varietis.

However, Hilleshog can pull out of the trade agreement—which is an important contributor to *Miln* profits—if a third party acquires more than 25 per cent. in the group and this could discourage any rival bid for the company.

LONDON SUMATRA

London Sumatra shareholders will to-day receive a letter from McLeod-Sipef, the latest missile in the bombardment of exhortation from the two sides in this contested bid.

McLeod-Sipef's chairman, Mr. *J. Kenneth Dick tells them this* time "We hope that you will have seen the very favourable press comment which our final offer has attracted. The Board's rejection of the offer has not been supported by one single national newspaper."

He also comes back to the question of what will happen to the share price if the bid should fail. Last night London Sumatra shares stood at 125p compared to the McLeod-Sipef offer of 150p per share.

Sipef's Indonesia-based director who has been there for 25 years was in London yesterday. He *contested the independent* valuation of London Sumatra's Indonesian estates and said that, contrary to the London Sumatra Board's assertion, there had been sales of comparable estates in recent years and at lower prices than the independent valuation.

EDINBURGH & GEN. MERGER OFF

THE MERGER between Edinburgh and General Investments and an unnamed private banking and insurance group is not to go ahead. Negotiations which have apparently been going on for some months, and which lead to the shares being suspended on March 6, have fallen through.

Yesterday's announcement did not identify the other party but E and G has disposed of its 51 per cent. stake in Maynard, Wallace and Kersley for £77,500 cash.

Maynard, Wallace is part of a group of insurance and reinsurance companies within the E and G group. Last year it was said to have made a useful contribution to profits. In 1975, Mr. F. G. Maynard and his associates acquired a 17.4 per cent. stake in E and G.

Shareholders of E and G will still have to wait for trading to be resumed in the shares until after a detailed circular has been sent to them.

ASSOCIATES DEALS

J. Henry Schroder Wagg and Co. on April 7 sold 12,500 Wheatsheaf at 194p on behalf of associates.

Laing and Cruickshank on April 11 bought 25,000 Wheatsheaf Ordinary shares for a subsidiary of Guinness Peat Group.

Cazenove and Co. bought 4,000 Northern Foods at 89p for discretionary investment clients.

J. Henry Schroder Wagg and Co. sold 108,750 Wheatsheaf at 188½p average on behalf of associates.

Murray and Co. on April 6 bought 5,000 Blakeys (Malleable Castings) at 52p on behalf of Mr. M. R. N. Evans, a partner of Murray and Co.

Laurence Prust and Co. on March 23 sold 48,240 Bury and Masco at 90½p and 29,850 at 89½p on behalf of discretionary clients. They also sold 500 at 89½p on behalf of an associate of Bury and Masco.

On April 7 they sold 4,950 at 88½p on behalf of a discretionary client.

MONEY MARKET

Minimum Lending Rate 7½%

Bank of England Minimum Lending Rate 7½ per cent. (since April 11, 1978)

Bank of England Minimum Lending Rate rose from 6½ to 7½ per cent. as part of yesterday's Budget. Consequently the normal market related formula for calculating MLR was suspended. While interest rates at the short end tended to firm, so the longer end of the market showed an easier tendency after the announcement, the latter reflecting *an easing of tension,* following recent uncertainty about the *future* level of MLR.

Day to day credit appeared to be in short supply in the London money market and the authorities bought *a small amount of* Treasury bills all direct from the houses. Banks carried forward full balances but this factor was outweighed *by a net take up of* Treasury bills, an excess of revenue transfers to the Exchequer over Government disbursements and a slight increase in the note circulation.

Discount houses paid around 4½ per cent. *for* secured call loans at the start and rates eased towards the close to 2-3 per cent. In the interbank market overnight loans opened at 4¼-4½ per cent. and had slipped to 3-3¼ per cent. by *noon before* tailing off to finish at 2-3 per cent.

Discount houses buying rates for three-month Treasury bills rose *to around 7 per cent.* after the increase in MLR, a level which, if repeated at Friday's Treasury bill tender would tend to point towards the reinstatement of the normal market related formula for calculating MLR.

Rates in the table below represent pre-budget levels.

Apr. 11 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	2-4½	—	—	—	5	2½-4½	—	—	—
2 days notice	—	—	6-6½	—	—	—	—	—	—	—
7 days or 7 days notice	—	4¾-6¼	5½-5⅞	—	6-6¼	5¼	4¼-4⅞	—	—	—
One month	6½-6⅛	6⅛-6⅛	6-6¼	6⅝-6⅜	6⅝-6¾	6½	6⅜	6-6⅛	6⅛-6¼	7
Two months	7-6¾	6⅞-7⅛	—	6¾-6⅜	7-7½	—	6¼	6⅛-6⅜	6⅜	7¼
Three months	7⅛-7⅛	7⅛-7⅛	7-7⅛	7-6⅞	7⅛-8	7⅛	6½	6⅜-6⅛	7⅛-7⅛	7½
Six months	7⅞-7⅝	7⅞-8⅛	7½-7⅝	7⅜-6⅞	8⅛-8½	—	—	—	7⅝-7¾	8¼
Nine months	8⅛-7⅞	8⅛-8⅛	—	8⅜-8	8¾	—	—	—	—	—
One year	8⅜-8⅛	8⅛-8⅜	8⅜-8½	8¾-8¼	9	—	—	—	—	—
Two years	—	—	9⅛-9⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate nominally three years 9⅞-10⅛ per cent.; four years 10⅞-11 per cent.; five years 11⅛-11⅛ per cent. ф Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 7⅞-7⅛ per cent.; four-month trade bills 7½ per cent.

Approximate selling rates for one-month Treasury bills 5⅞ per cent.; two-month 6⅛-6⅜ per cent.; and three-month 6⅛-6⅝ per cent. Approximate selling rate for one-month bank bills 6-6⅛ per cent.; two-month 6⅜-6⅞ per cent.; and three-month 6⅝-7 per cent. One-month trade bills 6⅞ per cent.; two-month 7¼ per cent.; and also three-month 7½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from April 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 3 per cent. Clearing Bank Base Rate for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.9961 per cent.

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AMERICAN NEWS

Hudson's Bay to lift spending

By James Scott

TORONTO, April 11.

WHILE Hudson's Bay Company of Winnipeg does not expect an economic resurgence in 1978 and anticipates only a year of slow growth in consumer spending it is optimistic about long-term prospects and plans an increase in capital expenditures this year to SC60m. from SC43m., according to the annual report. About 80 per cent. of the money will be spent on merchandising facilities.

As reported earlier, profit for the year to January 31, 1978, was SC29.8m. (SUS26m.) compared with SC24.8m. a year earlier. Sales were SC1.42bn. (SUS1.24bn.) compared with SC1.34bn.

Home Oil sees earnings rise

CALGARY, April 11.

HOME OIL expects continued increases in earnings and cash flow in 1978 as a result of higher prices, increased production and improvements in mining operations, the company states in the annual report.

Home plans to begin this year a pilot tertiary oil recovery project at the Swan Hills unit No. 1, the company's largest producing oil field.

AP-DJ

Currency losses fail to slow International Paper

BY JOHN WYLES

NEW YORK, April 11.

INTERNATIONAL PAPER, the world's largest paper manufacturer, to-day reported a 19 per cent. increase in first quarter profits despite a special charge and foreign currency losses approaching $5m.

The company's net earnings to the end of March of $57.9m. or $1.23 a share on sales of $958m. will strengthen expectations that earnings this year may come close to $5.60 a share. Earnings last year were down S per cent. partly, because of a poor first half, which management was disposed to blame on the weather.

Thus International Paper was widely expected to improve on last year's first quarter and it has managed to do this despite infinitely higher foreign currency losses. In the same period last year, these losses amounted to $400,000 but these leaped in the 1978 first quarter to $3.8m. In addition the company suffered a $1m. charge folowing its early redemption of a Swiss franc bond issue to reduce exposure to currency fluctuation.

These currency setbacks were partially offset by increased earnings from land sales which amounted to $11.1m. compared to $8.8m. in last year's first quarter.

Overall, International Paper's first quarter figures will be seen as a solid performance, but not one which necessarily points to a year in which the company will outperform the paper manufacturing sector.

Mr. J. Stanford Smith, chairman and chief executive officer, claimed to-day that "tight control of operations" had enabled the company to overcome weather related shortages and to meet increased demand for many of its products.

"Demand was strong for wood products, coated publication papers, uncoated white papers, newsprint, bleached board, multiwall bags, chemical cellulose and health care products. This high level of demand has permitted needed price improvements on many of these items," added Mr. Smith.

However, he went on to complain that "basic cost pressures o nthe forest products business continue. The company's vigorous cost reduction programmes have not fully offset increases for labour, materials and energy, and much needed price increases have not been realised in the market place on some major product lines.

"There have been excess inventories of commodity paper pulps in Scandinavia, where the inventory build-up was government subsidised, and in Canada, as a result, prices for commodity paper pulps have been below levels of a year ago.

However, world inventories have been reduced by nearly a million tons in the last year, with more than half of the reduction occurring in the last four months.

Rohm & Haas looks for recovery

PHILADELPHIA, April 11.

ROHM and Haas is at least two to three years away from restoring profits to 1974 levels when net equalled 10 per cent. of assets, according to group vice president, finance, Mr. J. Lawrence Wilson.

The chemicals concern expects to report that net income for the first quarter matched or surpassed the operating income of $11.9m. or 93 cents a share in the year-earlier period. Mr. Wilson said. The first quarter net will, however, "definitely surpass" the final net of $11.2m. or 87 cents a share in first quarter 1977 which reflected a $700,000 loss from discontinued operations from health products.

AP-DJ

Sharp rise in income at Mellon

NEW YORK, April 11.

FIRST QUARTER results from Mellon National Corporation, the parent company of Mellon Bank, show a substantial increase in the rate of progress reported last year. Operating net income for the quarter has jumped by 18 per cent. to $19.7m., lifting operating share income to $2.01 from $1.71 last time. Net income totalled $18.6m. against $16.4m., with share income after securities of $1.89 compared with $1.67 previously.

In the previous year, operating earnings rose 8 per cent., backed by a 9 per cent. gain in the final quarter.

In the first quarter of this year there was an increase of 16 per cent. in domestic deposits which totalled $5.6bn., while foreign deposits increased by 13 per cent. to $1.9bn. Total loans were $5.4bn., a gain of $352m. from a year earlier.

At last year's fourth quarter stage, the chairman, Mr. James H. Higgins, commented that the higher income at that point was due to an upturn in results from both domestic and international banking, higher foreign exchange income, narrow foreign currency losses on equity investments, and higher earnings from trust and leasehold activities.

Agencies

Upturn at Mead

MEAD CORPORATION, the furniture, paper, and metal components group announced net earnings for the first quarter of 88 cents a share against 79 cents previously, reports AP-DJ. Total net earnings increased to $20.8m. from $19.6m., sales to $522m. compared with $416m.

The company said that about two-thirds of the sales increase for the quarter reflected operations of Gulf Consolidated Services, acquired last September.

Conrac earnings fall

Mr. Donald H. Putnam president of Conrac Corporation said that first quarter net from operations was about 47 cents a share down from 74 cents a year ago, reports AP-DJ from New York. Non-operating income was about 1 per cent. a share against 11 cents a year ago. The board will declare a 10 per cent. stock dividend after which the quarterly dividend rate of 20 cents will be maintained.

Dictaphone optimism

Dictaphone Corporation, the business machines maker expects to report record earnings and sales for the first quarter with profits improving at a much higher rate than sales, reports AP-DJ from New York. Mr. E. Lawrence Tabh, chairman and chief executive said earnings per share will increase to more than 60 cents from 36 cents a share a year earlier. Net income from operations will be about 40 per cent. ahead of the 1977 first quarter and the company also expects to pick up about 15 cents a share from foreign currency gains. Improvements in operating margins resulted mainly from a higher rate of dictating products and systems sales

Chrysler Turkish sale

Chrysler has sold its interests in Chrysler Sanayi A.S. to the Turkish shareholders of that company, AP-DJ reports from Detroit. Chrysler Sanayi was formed in 1962 to assemble and manufacture Dodge trucks for the Turkish market, and Chrysler owned 60 per cent., with three local distributors of Chrysler holding the remainder. Under full Turkish ownership the company will continue as a licensee and assembler of Dodge trucks. Chrysler did not give a price on the sale of its shares.

General Electric turns in good first quarter results

BY DAVID LASCELLES

NEW YORK, April 11.

GENERAL ELECTRIC, the largest U.S. manufacturer of electrical equipment, reported sales of $4.44bn. in the first quarter of this year, up from $4.06bn. in the same period last year. Net earnings were $247.8m. equivalent to $1.09 a share, against $215.4m., or 95 cents previously.

Mr. Reginald H. Jones, GE's chairman, attributed much of the rise to earnings from consumer products and services which were substantially ahead of last year's first quarter, as were earnings from the industrial products and components division.

Earnings from sales of power systems were about the same as those for the first quarter of 1977, he indicated, while those from the sale of technical systems and materials showed gains well over those for a year ago.

Mr. Jones also said that GE's revenues from operations abroad had risen, and that exports from the U.S. were higher than last year.

But though GE last year joined the select list of U.S. companies with earnings of more than $1bn., and began 1978 on an optimistic note, Mr. Jones felt it necessary to inject a note of caution into to-day's report.

"While we anticipate results for the total year will show improvement over 1977," he said. "The rate of gain undoubtedly will be affected buy the future direction of the U.S. economy." In 1977 the company earned $1.09bn. or $4.79 a share, on sales of $17.5bn.

GE to-day also reported earnings from its wholly-owned subsidiaries. Utah International's first quarter earnings were up 6 per cent. to $48m. and those of General Electric Credit rose 17 per cent. to $16.2m.

Brazil steel production to treble in next decade

BY DIANA SMITH

RIO DE JANEIRO, April 11.

BRAZIL'S rapidly developing steel industry will receive investments of $3.5bn. a year between 1978 and 1981.

This, according to the planning minister, Sr. Reis Velloso, accounts for about 8 per cent. of Brazil's gross fixed capital formation, and will allow production to be tripled in the next decade.

In 1977, approximately $510.3m. were spent on the steel programme, and this year, $1.068bn. will be laid out. Last year's outlays represented 19 per cent. of the total budget of the National Economic Development Bank (BNDE).

In fact, while world production of steel has been falling, Brazilian production has shot ahead. In 1977, production of steel ingots reached 11m. tonnes. Imports fell to 940,000 tonnes, and exports rose to 300,000 tonnes, reducing the steel trading deficit to 5 per cent. of apparent consumption.

There are two views about the Government tendency to opt for vast steel projects: while Government ministries favour them, technicians from the Brazilian Steel Institute (IBS) maintained at the eighth national steel congress last week that they were "heavily onerous in terms of infrastructures and operating costs." (New projects like the Acominas and Tubarao steel works involve joint ventures with foreign steel majors and total loans of several billion dollars).

Despite this, however, steel enjoys 65 per cent. of the financing operations approved by the raw materials programme ($345m.), in direct credits from Brazilian state banks.

Banco Brazil moves ahead

By Our Own Correspondent

RIO DE JANEIRO, April 11.

THE BANK of Brazil—part State, part-privately owned, now enjoys resources of Cr.543bn. ($32.25bn.)—a growth of 48.3 per cent. compared with 1976.

The bank's net profit totalled $514.4m.—an increase of 33.3 per cent. compared with 1976. Profitability ratio on its own capital was 17.26 per cent., with expenses totalling $1.55bn., over 70 per cent. more than 1976.

The December 1977 total of deposits of $5.87bn., represented a growth of 25 per cent. compared with December 1976, with the lion's share going to public bodies ($3bn.—or 52 per cent.). Private deposits (of $2.07bn.) increased their weight in the total by 2.6 per cent.

The majority of Bank of Brazil loans (a total of $19.49bn.) were channelled into production—indusrtial or agricultural—these loans increased by 47.4 per cent.

Du Pont monopoly complaint

WASHINGTON, April 11.

THE FEDERAL Trade Commission has issued a complaint charging that Du Pont, the chemicals major, dominated the U.S. titanium dioxide pigment business through unfair means.

The complaint, which Du Pont has 30 days to answer, seeks divestiture of two Du Pont titanium plants. They are the Delisle, Mississippi, facility and either the New Johnsonville, Tennessee, or the Edge Moor, Delaware, facility.

It also asked that Du Pont provide royalty-free licensing of all technology and know-how used in connection with production of titanium dioxide.

The complaint, after a two-year investigation, alleges that Du Pont accounted for 40 per cent. of all domestic annual production, which in 1976 was valued at more than $600m.

The market is highly concentrated, with four companies accounting for 80 per cent. of the production. Titanium dioxide is used to whiten and brighten paper, paint, plastics, textiles and other products.

The complaint alleges that Du Pont unfairly used its dominant position, size and economic power in an attempt to monopolise the market.

Replying to the charge from the company's Wilmington, Delaware, headquarters, Du Pont chairman Mr. Irving S. Shapiro said the charges are wholly without basis. The company will contest allegations in the complaint and will ask the commission to expedite hearing of the matter so that this issue can be settled on its merits as promptly as possible, the chairman said.

Reuter

EUROBONDS

Yankee bond for UK

BY FRANCIS GHILÈS

WITH MARKETS in the dollar and Deutschemark sector very quiet yesterday, the main news of the day came with the announcement by the Chancellor of the Exchequer, Mr. Denis Healey, in his Budget speech to Parliament that the United Kingdom would be raising money in the New York market for the first time ever. A two tranche $350m. bond will be arranged by Morgan Stanley with Salomon Brothers and First Boston Corporation as co-lead managers. A $200m tranche carries a seven-year maturity and a $150m. tranche carries a 15-year maturity. Pricing will be on May 3.

As is usual when a borrower approaches the New York market for the first time, the U.K has requested a rating from the two leading U.S. rating agencies. Moody's and Standard and Poors Both have given the borrower a triple AAA rating. Other European countries to enjoy a triple AAA rating from both agencies include France, Norway and Sweden.

The sterling sector was hit yesterday by the announcement that the Minimum Lending Rate would rise a full point to 7½ per cent. Most names shed a quarter of a point but with the news coming so late, there was very little trading.

The Deutschemark sector was slightly easier yesterday. The DM200m. for Spain was priced at par by lead manager Dresdner Bank and was being quoted, in pre-market trading, at a discount of two to two and a-half points.

South African Railways is raising DM40m. for four years on an indicated coupon of 7¾ per cent. This private placement is being arranged by Berliner Handels und Frankfurter Bank.

AMERICAN QUARTERLIES

CAMPBELL TAGGART

First Quarter	1978 $	1977 $
Revenue	186.2m.	172.0m.
Net profits	5.9m.	5.3m.
Net per share	0.55	0.49

MACMILLAN INC.

First Quarter	1978 $	1977 $
Revenue	102.1m.	98.3m.
Net profits	72,000	345,000
Net per share	—	0.02

NCNB

First Quarter	1978 $	1977 $
Revenue	198.3m.	172.1m.
Net profits	7.4m.	5.7m.
Net per share	0.44	0.33

WHIRLPOOL CORP.

First Quarter	1978 $	1977 $
Revenue	485.2m.	440.5m.
Net profits	25.2m.	24.9m.
Net per share	0.70	0.69

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INTL. FINANCIAL AND COMPANY NEWS

Upsurge in L'air Liquide earnings

By David Curry

PARIS, April 11.

L'AIR LIQUIDE, the world's second largest producer of industrial gases, has increased net profits for 1977 by a quarter. The company is also lifting its dividend, paying a dividend of Frs.11 (or Frs.16.50 including the tax bonus) on capital increased last summer by a one-for-four scrip issue.

Net profits last year rose to Frs.168.7m., or $37m., from Frs.134.5m. At Frs.2.14bn, sales were some 15 per cent. higher.

Matra ahead

Matra, whose shares have risen in spectacular fashion on the Paris Bourse since Christmas, is well on the way to realising its objectives of Frs.2bn. ($440m.) parent company sales this year and Frs.2.4bn. of consolidated sales, writes David Curry.

After the first quarter Frs.424m. of parent company sales have already been registered. Last year parent company sales reached Frs.1.795bn. (Frs.2.1bn. for the group) and net profit was Frs.87.5m. after the payment of Frs.95m. corporation tax. Net per share profit was Frs.248.

The company is proposing a pay-out of Frs.29.90 per share together with Frs.5.10 per share for the 1976 financial year. The tax bonus will thus be Frs.17.50.

Empain-Schneider

Lower operating profits but a sharp increase in net earnings—which have been boosted by share sales—are announced by the Empain-Schneider group, our Financial Staff writes. Net operating profits slipped by a tenth in 1977 to Frs.43.2m. ($9.5m.) from Frs.48.2m. But the major industrial empire has lifted its dividend from Frs.17.25 to Frs.18.3 with net earnings rising to Frs.87.73 ($19.2m.) from Frs.42.1m. No details of the share sales profit is given. The company proposes to revalue part of its assets by Frs.293.8m., or some $64.5m.

Baron Edouard-Jean Empain has handed over the chairmanship of the group to his close colleague Rene Engen for an indefinite period, a company communique said yesterday. Baron Empain said his state of health caused him to give up his post.

Sperry Rand closure

The Sperry Rand group of the U.S. has decided to close down its Remington electric shaver factory at Hutenheim, in Eastern France, within the next 12 months because of excessive operating costs, it was learned yesterday, AP-DJ reports from Paris. The plant, which employs some 400 workers, stopped manufacturing hair dryers last summer, and the management tried to minimise costs by reducing the working week to 38 hours in December and offering early retirement.

Sharp profits setback for Solvay

BY DAVID BUCHAN

BRUSSELS, April 11.

SOLVAY, the chemical group which is Belgium's second largest industrial concern, has disclosed that its profits last year were well down on the B.Frs.4.7bn. ($150m.) recorded in 1976, and that its 1976 dividend of B.Frs.200 will certainly not be increased.

The announcement has been reluctantly made by Solvay as a denial of a trade union forecast that the group's profits last year would in fact rise to B.Frs.5bn. and that the dividend would go up 10 per cent. This forecast was made in the context of the current strike by some 700-800 salaried clerical staff throughout Solvay's Belgian plants. They are demanding a 6 per cent. pay rise, a cut in weekly working hours from 40 to 38, guarantees of employment and, indeed, assurances that Solvay will hire more of them. The strike, the first by this category of staff in Solvay's 115 year old history, has hit production.

The pessimism of the Solvay management, who will not announce full 1977 results until mid-May, is shared by analysts here, who have even been forecasting a cut in dividend. The group performed well for the first half of last year, with turnover rising by 10 per cent. and profits up too. The second half is always less favourable for Solvay. In addition, Solvay has recently had to lower its soda ash prices to stay competitive with American supplies to the Belgian market. The company used to have a virtual supply monopoly of this ingredient to the Belgian glass industry, which in recent years has turned to the U.S. for cheaper supplies. Solvay cut its prices at the start of this year to prevent the closure of its Belgian soda ash plant.

Nevertheless, Solvay has been investing heavily in the U.S. chemical and petrochemical sector, and at the end of last month it announced the setting up of a joint company, Inteox American, making hydrogen peroxide in Texas, in collaboration with Laporte Industries Ltd. of the U.K., which has been a traditional industrial partner of the Belgian company.

* * *

ATELIERS de Constructions Electriques de Charleroi (ACEC), the Belgian electrical machinery manufacturer, has announced a lower profit of B.Frs.71m. ($2.2m.), compared with BFrs.129.8m. in 1976. This is in line with the forecast made by the company when last November it announced a first half year loss of B.Frs.74m.

The Charleroi based company, which has not paid a dividend since 1968, is not expected to do so this year either. This is because the company is trying to make good the accumulated losses of the early 1970s. Last year's profit reduced this to B.Frs.332m. and this year's modest profit will help further.

Deliveries last year, worth B.Frs.12.65bn., stayed at roughly the 1976 level. But ACEC executives draw encouragement from the fact that new orders last year rose to B.Frs.12.9bn. from B.Frs.11.2bn.

* * *

HOLDING company Sofina SA: reports a net profit of B.Frs.570m. ($18.2m.) for 1977, against B.Frs.566m. previously.

The company has already announced a net dividend of B.Frs.215 per share compared with B.Frs.205 for 1976.

Holmens Bruk sees sales rise

BY WILLIAM DULLFORCE

STOCKHOLM, April 11.

HOLMENS BRUK, Europe's largest newsprint manufacturer, hopes to increase sales by 15 per cent. this year and to return an unchanged pre-tax profit of around Kr.40m. ($8.9m.). The 1977 shareholders report foresees a Kr.50m. rise in depreciation and interest charges, which the management hopes to offset by a corresponding increase in operating profit.

This forecast, however, depends on the continuation of the price stability, which printing papers have enjoyed over the past two years, while the prices of other paper qualities have been pressed downwards. It is also based on the assumption that capacity utilisation at the Holmans mills remains unchanged, despite the 30 per cent. increase in newsprint capacity introduced by the start-up of the new mill at Braviken in September.

The Kr.40m. pre-tax figure for 1977, made on a turnover of Kr.1.43bn. ($315m.) was struck before extraordinary costs of Kr.26.8m., the bulk of which were due to start-up costs for Braviken and unrealised currency losses on the long-term foreign debt. The final pre-tax figure of Kr.19m. reflects a slump of Kr.43.5m. from the previous year.

It also excludes some Kr.32m. in interest charges on the Kr.660m. Braviken investment up to the September start-up, which have been activated. Completion of the first stage of the Braviken project in fact prompted an increase in the long-term debt of some Kr.300m. last year. This is reflected in the doubling of the interest charges to over Kr.50m.

Since the beginning of this year Holmens has made a Kr.100m. bond issue on the Swedish market at 10 per cent. and taken a 15-year, Swiss Francs 30m. bond loan at 4.5 per cent. The management considers that with this further borrowing a satisfactory solution has been found to the financing of the first Braviken's stage. Completion of the second development stage has been postponed from the end of 1980 to the end of 1984.

Liquidity is reported to have improved. The 1977 balance sheet shows only a modest rise in inventories to Kr.323m. and the management reports that it has so far been able to place the Braviken newsprint on the market without disrupting deliveries by the other mills. The interest and depreciation charges on the new plant, however, make up a considerable burden at a time when the mills cannot be run at full capacity.

Gränges offers for Wirsbo

BY OUR OWN CORRESPONDENT

STOCKHOLM, April 11.

AFTER announcing a record 1977 pre-tax loss of Kr.791m. ($175m.) last Friday and passing the shareholders' dividend for the second year running, Gränges, the Swedish engineering and metals group, to-day announced a Kr.30m. ($6.6m.) offer for the remaining stock of the Wirsbo company. This concern manufactures mainly pipes for water, heating and sanitary installations.

The takeover bid, which the Wirsbo Board is recommending to shareholders, was described by a Gränges' spokesman as illustrating the offensive thinking within the management. For the past year, under its new managing director Mr. Bo Abrahamsson, Gränges had been working to eliminate its loss-making steel operations and release resources for forward-looking investments.

Gränges already holds 37 per cent. of the Wirsbo stock and is offering Kr.245 a share for the remainder, a price which is only slightly above the current market rate. The offer is conditional on acceptance by shareholders owning 90 per cent. of the stock. The largest holding is in the hands of the Lagercrantz family. The Svenska Handelsbanker pension fund and a subsidiary of the Skanska Cement Construction Company are the other big shareholders.

Wirsbo made pre-tax earnings of Kr.2.6m. on a Kr.215m. turnover last year.

Astra improvement

Astra, the Swedish pharmaceutical group, raised its pre-tax earnings by 13 per cent. in 1977 to Kr.116m. ($25.5m.) from Kr.103m. in 1976, writes John Walker from Stockholm. Taking into consideration changes in accounting principles, the improvement in comparable earnings for the year was approximately 20 per cent.

Group earnings were favourably influenced by the rapid development of the Varia division and the effects of the Swedish devaluations, Astra said in its annual report. The estimated net profit per share was Kr.17 compared with Kr.15.

Group sales rose by 18 per cent. to Kr.1.7bn., compared with Kr.1.4bn. in 1976. Sales outside Sweden have doubled during the last three years to 61 per cent. of total sales. Markets outside Sweden accounted for nearly 80 per cent. of the increase. Most of the group's expansion was due to higher sales volume.

According to the 1978 forecast, sales are expected to increase to between Kr.2bn. and Kr.2.1bn., while earnings are expected to keep pace, reaching Kr.130m. to Kr.140m. this year compared with Kr.116m. in 1977.

Sales of all the divisions showed up well last year, pharmaceuticals increasing by 16 per cent. to Kr.1.2bn., chemical products by 14 per cent. to Kr.303m., and those of the Varia division by 43 per cent. to Kr.106m. The group's R and D costs increased from Kr.155m. in 1976 to Kr.185m. The Board recommends an unchanged dividend of Kr.5 per share.

Pirelli losses mount as demand slumps

By Paul Betts

ROME, April 11.

INDUSTRIE PIRELLI, the perennial loss-making Italian operating company of the Dunlop-Pirelli Union, reported a loss of Lire 5.5bn. ($6.5m.) last year compared to a loss of Lire 2bn. the previous year.

Overall sales last year increased by 11 per cent. to Lire 722bn. The company said after a Board meeting in Milan to-day that while sales recorded a sizeable increase in the first half of last year, there had been a substantial decline in demand during the second half.

The group's investments last year amounted to Lire 44bn., and Pirelli said it had made important headways in the export of plants and machinery. Its tyre division recently signed a draft contract to build a plant with an annual capacity of 4m. tyres in Algeria, and also secured a contract for the supply of machinery to the Soviet Union.

Industrie Pirelli is currently involved in a major restructuring programme aimed at, among other things, consolidating its financial position. The Italian operating company of the Dunlop-Pirelli Union has seen its total indebtedness rising from Lire 290bn. in 1972 to nearly Lire 447bn., including Lire 145bn. in short-term money, in 1976. To reduce the interest rate burden on its accumulated debts, the company launched a Lire 50bn. rights issue last year.

Dalmine lifts capital

MILAN, April 11.

THE SHAREHOLDERS assembly of Dalmine Spa has approved a capital increase to L226.8m. from L25.2bn. The operation, aimed at making available large funds for new investments and for the reorganisation of the company, will be carried out through the issues of 403.2m. shares of par value L500 to be offered in option to the shareholders in the measure of eight-for-one.

The capital increase is expected to be chiefly subscribed by Finsider, the Italian State holding which controls Dalmine, a leading maker of steel and pipes. Shareholders were also told that the company's loss for 1977 amounted to L37.2bn. against profits of L1.05bn. previously.

Dalmine reported its results were influenced by shrinking margins in Italy and abroad as a result of slack demand and growing competition in the steel sector.

AP-Dow Jones

New Belgian bond

The next Belgian government bond issue will carry an 8.5 per cent. coupon or a full point below the last issue that was floated at the end of January. The seven year bond is expected to net between B.Frs.60 and 70bn.

Since January, the central bank cut its key lending rates, discount and Lombard, to a record low of 5.5 per cent. from 9 per cent.

Interunfall rights issue

BY PAUL LENDVAI

VIENNA, April 11.

INTERUNFALL, the Austrian insurance company is increasing its capital by Sch.20m. to Sch.120m. by way of a five-for-one rights issue at 150 per cent. Gross premium revenues last year were up by 10.3 per cent. to Sch.2.7bn.

The growth rate in Austria was 11.7 per cent. as against 7.2 per cent. in West Germany. About 70 per cent. of the capital is held by the Riunione Adriatica di Sicurta of Trieste. The Board states that earnings last year were roughly unchanged. Car insurance accounts only for 40 per cent. of total business.

* * *

Oesterreichische Volksbanken AG, the head institute of the local mutual banks reports an 18.2 per cent. rise in its consolidated balance sheet to Sch.20.6bn. The position "debtors" showed a rise of Sch.2.1bn. to Sch.8bn. with affiliated banks accounting for Sch.5.9bn. of the total. A dividend of 8 per cent. is paid

* * *

A new Austrian commercial bank, Mercurbank, will emerge from the merger of the Autofina and WAG, two hire purchase institutions. Autofina's capital was recently increased by Sch.20m. to Sch.75m. in order to finance the takeover of WAG (Waren und Autokreditbank). The new institute will have a capital of Sch.90m.

The Oesterreichische Laenderbank, one of Austria's "big three" hitherto the sole owner of Autofina will retain a 73 per cent. interest in the Mercurbank

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
E. Kodak	$40	—	—	5¾	2	—	—	$44
E. Kodak	$45	1⅛	18	2¾	9	—	—	..
E. Kodak	$50	—	—	1⅛	5	—	—	..
IBM	$240	—	—	12½	15	—	—	$240¾
IBM	$260	—	—	4½	8	—	—	..
IBM	$280	—	—	—	—	—	—	..
GM	$50	11⅞	415	12	425	—	—	$62
GM	$60	3	5	3¼	10	—	—	..
GM	$70	—	—	⅜	1	—	—	..
Philips	F22.50	3.70	2	—	—	—	—	F25.70
Philips	F25.00	1.40	11	2.10	9	—	—	..
Philips	F27.50	—	—	1.00	31	—	—	..
R. D. Shell	F120	7.70	28	8.20	38	—	—	F126.40
R. D. Shell	F130	1.50	4	3.10	11	—	—	..
R. D. Shell	F140	0.40	3	1.00	33	—	—	..
Unilever	F110	9.00	13	9.30	5	—	—	F.117.50
Unilever	F120	—	—	3.10	12	—	—	..
Unilever	F130	—	—	1.00	47	—	—	..
		May		August		November		
BP	700p	—	—	—	—	—	—	760p
BP	750p	—	—	—	—	—	—	..
BP	800p	—	—	—	—	—	—	..
ICI	300p	—	—	—	—	—	—	354p
ICI	325p	—	—	—	—	—	—	..
ICI	350p	—	—	—	—	—	—	..
ICI	375p	—	—	—	—	—	—	..
GEC	200p	—	—	—	—	—	—	245p
GEC	225p	—	—	—	—	—	—	..
GEC	250p	—	—	—	—	—	—	..
GEC	275p	—	—	—	—	—	—	..

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

	Bid	Offer
STRAIGHTS		
Alcan Australia 8½pc 1989	95½	96½
AMEV 8pc 1987	96½	97
Australia 8½pc 1992	94½	95
Australian M. & S. 9½pc '92	97½	98½
Barclays Bank 8½pc 1992	97	97½
Bowater 9½pc 1992	[illegible]	[illegible]
Can. N. Railway 8½pc 1986	[illegible]	[illegible]
Credit National 8½pc 1986	[illegible]	[illegible]
Denmark 8½pc 1984	[illegible]	[illegible]
ECS 9pc 1995	[illegible]	[illegible]
ECS 8½pc 1997	[illegible]	[illegible]
EIB 8½pc 1992	[illegible]	[illegible]
EMI 9½pc 1989	[illegible]	[illegible]
Ericsson 8½pc 1989	[illegible]	[illegible]
Esso 8pc 1986 Nov.	[illegible]	[illegible]
Gt. Lakes Paper 8½pc 1984	[illegible]	[illegible]
Hamersley 9½pc 1992	[illegible]	[illegible]
Hydro Quebec 9pc 1992	[illegible]	[illegible]
ICI 8½pc 1987	[illegible]	[illegible]
ISE Canada 9pc 1986	[illegible]	[illegible]
Macmillan Bloedel 9pc 1992	[illegible]	[illegible]
Massey Ferguson 9½pc '91	[illegible]	[illegible]
Michelin 9½pc 1988	[illegible]	[illegible]
Midland Int. Fin. 8½pc '92	[illegible]	[illegible]
National Coal Bd. 8pc 1987	[illegible]	[illegible]
National Westmnstr. 9pc '86	[illegible]	[illegible]
Newfoundland 9pc 1989	[illegible]	[illegible]
Norges Kom. Bk. 8½pc 1992	[illegible]	[illegible]
Norpipe 8½pc 1989	[illegible]	[illegible]
Norsk Hydro 8½pc 1992	[illegible]	[illegible]
Oslo 9pc 1988	[illegible]	[illegible]
Ports Autonomes 9pc 1991	[illegible]	[illegible]
Prov. Quebec 9pc 1995	[illegible]	[illegible]
Prov. Saskatch. 8½pc 1986	[illegible]	[illegible]
Reed International 9pc 1987	[illegible]	[illegible]
RHM 9pc 1992	[illegible]	[illegible]
Selection Trust 8½pc 1989	[illegible]	[illegible]
Skand. Enskilda 9pc 1991	[illegible]	[illegible]
SKF 8pc 1987	[illegible]	[illegible]
Sweden (K'dom) 8½pc 1987	[illegible]	[illegible]
United Biscuits 9pc 1989	[illegible]	[illegible]
Volvo 8pc 1987 March	[illegible]	[illegible]
NOTES		
Australia 7½pc 1984	[illegible]	[illegible]
Bell Canada 7½pc 1987	[illegible]	[illegible]
Br. Columbia Hyd. 7¾pc '85	[illegible]	[illegible]
Can. Pac. 8½pc 1984	[illegible]	[illegible]
Dow Chemical 8pc 1986	[illegible]	[illegible]
ECS 7¾pc 1982	[illegible]	[illegible]
ECS 8½pc 1989	[illegible]	[illegible]
EEC 7¾pc 1982	[illegible]	[illegible]
EEC 7½pc 1984	[illegible]	[illegible]
Enso Gutzeit 8½pc 1984	[illegible]	[illegible]
Gotaverken 7½pc 1982	[illegible]	[illegible]
Kockums 8pc 1983	[illegible]	[illegible]
Michelin 8½pc 1983	[illegible]	[illegible]
Montreal Urban 8½pc 1981	[illegible]	[illegible]
New Brunswick 8pc 1984	[illegible]	[illegible]
New Bruns. Prov. 8½pc '83	[illegible]	[illegible]
New Zealand 8½pc 1986	98½	99
Nordic Inv. Bk. 7¾pc 1984	95½	96½
Norsk Hydro 7½pc 1982	97½	98
Norway 7½pc 1982	96	96½
Ontario Hydro 8pc 1987	96½	97
Singer 8½pc 1982	100½	101
S. of Scot. Elec. 8½pc 1981	[illegible]	[illegible]
Sweden (K'dom) 7¾pc 1982	[illegible]	[illegible]
Swedish State Co. 7¾pc '82	[illegible]	[illegible]
Telmex 9½pc 1984	[illegible]	[illegible]
Tenneco 7¾pc 1987 May	[illegible]	[illegible]
Volkswagen 7¾pc 1987	[illegible]	[illegible]
STERLING BONDS		
Allied Breweries 10½pc '90	[illegible]	[illegible]
Citicorp 10pc 1993	[illegible]	[illegible]
Courtaulds 9½pc 1989	[illegible]	[illegible]
ECS 9½pc 1989	[illegible]	[illegible]
EIB 9½pc 1992	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]
Finance for Ind. 9½pc 1987	[illegible]	[illegible]
Finance for Ind. 10pc 1989	[illegible]	[illegible]
Fisons 10½pc 1987	[illegible]	[illegible]
Gestetner 11pc 1988	[illegible]	[illegible]
INA 10pc 1988	[illegible]	[illegible]
Rowntree 10½pc 1988	[illegible]	[illegible]
Sears 10½pc 1988	[illegible]	[illegible]
Total Oil 9½pc 1984	[illegible]	[illegible]
DM BONDS		
BFCE [illegible]	[illegible]	[illegible]
BNDE [illegible]	[illegible]	[illegible]
CFE [illegible]	[illegible]	[illegible]
Denmark 6pc 1984	[illegible]	[illegible]
ECS [illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]
Electrobras [illegible]	[illegible]	[illegible]
Euratom [illegible]	[illegible]	[illegible]
Eurofima [illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]
Forsmarks [illegible]	[illegible]	[illegible]
Mexico [illegible]	[illegible]	[illegible]
New Zealand [illegible]	[illegible]	[illegible]
Norcem [illegible]	[illegible]	[illegible]
Norway [illegible]	[illegible]	[illegible]
Philippines [illegible]	[illegible]	[illegible]
Rautar Uukki [illegible]	[illegible]	[illegible]
Spain [illegible]	[illegible]	[illegible]
Tauernautobahn [illegible]	[illegible]	[illegible]
Trondheim [illegible]	[illegible]	[illegible]
TVO Power Co. [illegible]	[illegible]	[illegible]
Venezuela [illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]
FLOATING RATE NOTES		
Bank of Tokyo 1984 [illegible]	[illegible]	[illegible]
BFCE 1984 [illegible]	[illegible]	[illegible]
BNP 1983 [illegible]	[illegible]	[illegible]
CCF 1985 [illegible]	[illegible]	[illegible]
CGMF 1984 [illegible]	[illegible]	[illegible]
Creditanstalt 1984 [illegible]	[illegible]	[illegible]
Credit Lyonnais 1982 8pc	99½	100½
DG Bank 1982 7 13/16pc	100	100½
GZB 1981 8 1/16pc	100½	101½
Intl. Wstmnstr. '84 7 15/16pc	99½	100½
Lloyds 1983 7½pc	100½	100½
LTCB 1983 8pc	99½	100½
Midland 1982 8pc	[illegible]	[illegible]
Midland 1987 7 11/16pc	[illegible]	[illegible]
OKB 1983 7½pc	[illegible]	[illegible]
SNCF 1985 8½pc	[illegible]	[illegible]
Std. and Chrtd. '84 7 11/16pc	[illegible]	[illegible]
Wms. and Glyns '84 8½pc	[illegible]	[illegible]
Source: White Weld Securities.		
CONVERTIBLES		
American Express 4¾pc '87	[illegible]	[illegible]
Ashland 5pc 1988	[illegible]	[illegible]
Babcock & Wilcox 6½pc '97	[illegible]	[illegible]
Beatrice Foods 4½pc 1992	[illegible]	[illegible]
Beatrice Foods [illegible]	[illegible]	[illegible]
Beecham [illegible]	[illegible]	[illegible]
Borden 5pc 1992	[illegible]	[illegible]
Broadway Hale 4½pc 1987	[illegible]	[illegible]
Carnation 4pc 1987	[illegible]	[illegible]
Chevron 5pc 1988	[illegible]	[illegible]
Dart 4¾pc 1987	[illegible]	[illegible]
Eastman Kodak 4½pc 1988	[illegible]	[illegible]
Economic Labs. 4½pc 1987	[illegible]	[illegible]
Firestone 5pc 1988	[illegible]	[illegible]
Ford 5pc 1988	[illegible]	[illegible]
General Electric 4¾pc 1987	[illegible]	[illegible]
Gillette 4¾pc 1987	[illegible]	[illegible]
Gould 5pc 1987	[illegible]	[illegible]
Gulf and Western 5pc 1988	[illegible]	[illegible]
Harris 5pc 1992	[illegible]	[illegible]
Honeywell 6pc 1986	[illegible]	[illegible]
ICI 6½pc 1992	[illegible]	[illegible]
INA 6pc 1997	[illegible]	[illegible]
Inchcape 6¾pc 1992	[illegible]	[illegible]
ITT 4½pc 1987	[illegible]	[illegible]
Jusco 6pc 1992	[illegible]	[illegible]
Komatsu 7½pc 1990	[illegible]	[illegible]
J. Ray McDermott 4¾pc '87	[illegible]	[illegible]
Matsushita 6½pc 1990	[illegible]	[illegible]
Mitsui 7½pc 1990	[illegible]	[illegible]
J. P. Morgan 4¾pc 1987	[illegible]	[illegible]
Nabisco 5½pc 1988	[illegible]	[illegible]
Owens Illinois 4½pc 1987	[illegible]	[illegible]
J. C. Penney 4½pc 1987	[illegible]	[illegible]
Revlon 4½pc 1987	[illegible]	[illegible]
Reynolds Metals 5pc 1988	[illegible]	[illegible]
Sandvik 6½pc 1988	[illegible]	[illegible]
Sperry Rand 4¾pc 1987	[illegible]	[illegible]
Squibb 4½pc 1987	[illegible]	[illegible]
Texaco 4½pc 1988	[illegible]	[illegible]
Toshiba 6½pc 1992	[illegible]	[illegible]
Union Carbide 4¾pc 1982	[illegible]	[illegible]
Warner Lambert 4½pc 1987	[illegible]	[illegible]
Warner Lambert 4½pc 1988	[illegible]	[illegible]
Xerox 5pc 1988	[illegible]	[illegible]
Source: Kidder, Peabody Securities.		

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Modest growth at Jardine Matheson

BY ANTHONY ROWLEY

HONG KONG, April 11.

JARDINE. Matheson and Co., biggest of the trading and services houses here, to-day announced net profits of $HK314.2m. for 1977, about $68m. The modest 4 per cent. increase on the previous year's $HK301.5m. was close to analysts' forecasts and reflected reduced contributions from some areas.

Profit from service activities, for instance, was noticeably lower whereas the property division was markedly up, reflecting better market conditions in Hong Kong and increased earnings from Reunion Properties in London.

Jardine, Matheson is recommending a final dividend of *$HK0.48 a share making a total* of $HK0.67 for the year, 6.3 per cent. higher than in 1976. Dividends are again being offered in scrip form with a cash alternative.

The group's results were achieved in an "uncertain worldwide business environment" and reflected a general improvement in the *group's overall business*, despite disappointing performances from three publicly quoted subsidiaries: Jardine Industries, Jardine Davies Inc. and Rennies Consolidated Holdings. It is anticipated that these three will show an *improvement* in 1978.

Liquidity has remained satisfactory and overall term borrowings have been reduced.

Hong Kong, the group's head office and main operating base, showed improved results in 1977 despite the downturn in Jardine Industries and contributed 57 per cent. of overall earnings, compared with 54 per cent. in 1976, adjusted for unsecured loan interest. Jardines' Middle East Investment also performed well in its first full year accounting for 6 per cent. of group earnings.

In North East Asia Jardines' China Trade progressed satisfactorily and in the Japanese market, where trading operations continued to be successful, further *growth is expected in 1978*. In South Korea business was quiet.

In Singapore and Malaysia, the quoted subsidiary, Jardine Matheson and Co. (South East Asia), achieved satisfactory growth. This is expected to continue in 1978.

In the Philippines, Jardine *Davies Inc.* disappointed due to low sugar prices and a period of reconstruction following the earlier substantial loss in a subsidiary. A new management team is now in place and 1978 is expected to produce a better result.

Australia had a satisfactory year, helped by a 36 per cent. increase in earnings from the quoted subsidiary, Fleetways (Holdings). In Southern Africa the results from Rennies were disappointing, although an upward trend in the second half-year is expected to continue during 1978.

Matheson and Co., in the U.K., had a good year, with income *from banking and related services in particular showing an improvement*. Earnings from Reunion Properties Company also increased. The contribution from insurance broking improved following the acquisition during the year of Thompson Graham.

In 1977, 23 per cent. of group earnings were contributed by trading and light industry (24 per cent.), 24 per cent. by service activities (31 per cent.), 17 per cent. by financial services (19 per cent.), 28 per cent. by property (21 per cent.), and 8 per cent. by natural resources (5 per cent). All percentages are as adjusted for unsecured loan interest.

Looking to the future, Jardines anticipate that much of the worldwide uncertainty of 1977 will continue in 1978. Nevertheless, profits and dividends should again increase.

Hutchison Whampoa below forecast

By Our Own Correspondent

HONG KONG, April 11.

HUTCHISON WHAMPOA'S group profit was $HK217.9m. ($U.S.47.4m.) for the year to December 31—and a profit before extraordinary items of $HK182.9m. which is $HK10m. below the profit forecast made at the time of the merger between Hutchison International and Hong Kong and Whampoa Dock last year.

The directors attributed the profit shortfall to a further decline in the market value of quoted dealing investments *since June, 1977.* At the time, the difference between book and market value of these investments totalled $HK3.9m., and for merger purposes the directors assumed this would remain constant until the end of that year. In view of the *further fall* in the market value of these investments, the additional amount provided in the six months to December 31, was $HK6.8m.

They also cited the necessity of making "substantial provisions" against projected losses on uncompleted contracts in one of the group's construction subsidiaries, Far East Engineering and Construction.

Details of these items will be given in the annual report, but earlier in the day, Hutchison-Boag said that its attributable loss of $HK11.1m. for 1977 was due to the problems of Far East Engineering. "The estimated losses have only recently become apparent," the company said, "and stem primarily from the significant increases in labour and materials cost that occurred in the construction and building industries in 1977. *Shortages of both labour* and materials have also resulted and in turn have led to over-runs."

Hutchison-Boag will not be paying a final dividend but Hutchison Whampoa will keep to its merger forecast by paying a final of 12 cents, absorb*ing $HK48.3m.*, to make a total of 20 cents, absorbing $HK 80.5m.

The profit shortfall of the new company, which has assets of some $HK2.8bn., is particularly disappointing because extraordinary items are excluded from the merger document profit forecast and were expected to make a positive contribution.

Mitsui puts own director on lossmaker Kanebo board

BY YOKO SHIBATA

TOKYO, April 11.

MITSUI BANK announced to-day that it will put its deputy president Mr. Ikuro Aoki, on the Board of the deficit-ridden textile giant, Kanebo. Mr. Aoki is expected to be elected Board chairman at a Board meeting in July.

Kanebo, like other Japanese synthetic fibre producers, has been suffering from chronic setbacks caused by the industry's prolonged structural recession. An additional problem has been impact on exports of the higher yen exchange rate.

To tide it over its current plight, the company is working out a rationalisation programme, which might involve hiving off *the natural fibre division* as a subsidiary. Kanebo may also diversify more into areas such as cosmetics, foods and pharmaceuticals.

Kanebo's deficits in its natural fibre division (cotton, wool and silk) have started to decrease due to a drop in cost of raw materials, while the cosmetics division, accounting for 16 per cent. of total turnover, is prospering and foods and pharmaceuticals have begun to generate profits in the current half-year to April 30.

The group's huge deficits stem mostly from its three major synthetic fibre divisions, with *nylon accounting for 16 per cent.* of total sales, polyester for 17 per cent. and acrylic fibre for 21 per cent.

Kanebo is a relative newcomer in the synthetic fibre market and has, according to industrial sources, been obliged to compensate for its weak sales network by heavy price-cutting. Its recurring deficits amounted to Y13.5bn. in 1975, Y18.3bn. in 1976 and Y5.7bn. in 1977, and are estimated at Y12bn. ($54.5m.) in the current fiscal year ending April 30.

Slow loan expansion in Japan

BY OUR OWN CORRESPONDENT

TOKYO, April 11.

OUTSTANDING loans of Japan's 13 major City banks at the end of March, at Y58,433bn. *($266bn.), showed an increase of* Y4,654bn., or 8.7 per cent. on the year earlier level, the lowest annual growth since fiscal 1955, according to a report by the Federation of Bankers Association.

Deposits at the banks in the same period increased by Y6,210bn., to Y67,322bn., up 11.3 per cent. Officials of the Association ascribed the slowdown to stagnant new loan demand from corporations on top of repayment of loans by large and medium-sized corporations. In addition, the sluggish deposit rise was attributed to corporations diverting funds into the money markets, away from deposits at banks. The slowdown in wages was another factor.

In the six months accounting term to the end of March, Dai-Ichi Kangyo Bank remained the deposits leader, with a total of Y8,590bn., up 5.7 per cent. over September, 1977. Fuji Bank was second, and enjoyed the highest single gain (7.1 per cent.) to Y7,432bn. Sumitomo ranked third with Y7,296bn., up 6.7 per cent.

Gain foreseen at Reliance Textile

By R. C. Murthy

BOMBAY, April 11.

SALES of Reliance Textile Industries, the most modern textile unit in the country, are likely to rise above Rs.1bn. ($120m.) in the year to September.

Reliance, with a turnover of *Rs.700m. in 1976-77,* exported about 10 per cent. of production, mostly *synthetic* and other finished fabrics against strong international competition.

The company recently went to the market with existing shareholders selling Rs.28m. of equity capital. Another Rs.4.8m. worth *of equity shares are to be offered* to the public before the end of 1978.

The operating profit (before depreciation and taxation) of the company is expected to double from Rs.43.75m. in 1976-77 to around Rs.88m. ($10m.) in 1977-78.

A Rs.125m. expansion programme to increase the company's yarn processing, weaving, printing and fabrics processing capacities is nearing completion.

Haw Par

IN A REORGANISATION of the Haw Brothers International group, Scott and English, Scott and English (Malaysia), and P. T. Sande Jaye Indonesia have become the trading division, under the deputy chairmanship of Mr. John Jarvis, reports AP-DJ from Singapore. Stacey Ellis responsibilities have been increased to include trading, pharmaceutical and insurance divisions.

Weston margins under pressure

BY LAURENCE STEPHENS

SYDNEY, April 11.

GEORGE WESTON FOODS, the locally-listed bread and biscuit subsidiary of Associated British Foods, will make a one-for-eight scrip issue after lifting net profit 5.1 per cent. from $A8.7m. to $A9.2m. ($US10.5m.) in the year ended January 31.

The Board said that higher labour and materials costs, coupled with higher interest *charges due to increased borrowings*, held back profit growth throughout the year.

After including extraordinary items, the group's profit dropped from $A9.2m. to $A8.2m. An extraordinary loss of $A985,000 included a $A1.1m. goodwill *write-off after the acquisition of* new businesses, relocation costs of $A219,000, a tax adjustment of $A192,000, capital profits less losses on the sale of property and investments of $A155,000 and currency exchange gains of $A106,000.

The company showed an improvement in the second half when profit rose 7.6 per cent. against a rise of only 2 per cent. in the first six months.

The directors said that the *scrip issue was being made after* a revaluation of properties in 1975 and the pleasing profit record of the past few years. *In* the previous year profits had risen 17.8 per cent. to a record $A8.7m. The issue will increase *paid-up capital from 40m. to 45m.* shares and the Board is hopeful of maintaining dividends on the higher capital.

The annual dividend this year has been held at 7.5 cents a share with a final payout of 4.5 cents a share. The annual distribution is easily covered by earning of 21.6 cents a share on the old capital, up from 20.4 cents a share the previous year. The new shares do not rank for dividends until July 31.

Sales rose 10.8 per cent. from $A252.6m. to $A280m. Profit was after tax of $A4.5m. (previous year 4.9m.), interest charges of $A3.2m (2.4m.), depreciation of $A5.7m. (5.2m.) and minority interests of *$A117,000 (108,000).*

Philippines offshore banking in the red

MANILA, April 11.

THE PHILIPPINES' newly established offshore banking system generated deposits totalling $U.S.736m. from July to December last year, but suffered a $1m. net loss during its first six months of operations, the Central Bank says in its 1977 annual report.

Fourteen of the 16 foreign banks allowed to open offshore banking units here had started operating by the end of 1977 with their total resources standing at $757m. the report says, stating that success of the system is essential to the Philippines' bid for recognition as an Asian *financial centre.*

Of the $US736m. in deposits, a little less than half consisted *of offshore funds, predominantly* from Singapore ($194m.) and the U.K. ($88m.). The balance of $382m., according to the report, were internally sourced funds, from the Central Bank ($298m.), the OBUS ($52m.) and from other local and foreign resident banks ($32m.).

Interbank placements of the OBUS totalled $649m. with 46.2 per cent. being channelled to the Philippines and the rest to other countries, such as Singapore ($123m.), the U.S. ($72m.) and the U.K.

AP-DJ

* * *

DG. Bank, of Germany, has set up a subsidiary, DG Capital, in Hong Kong, *writes Daniel Nelson.*

Established as a deposit-taking company, DG Capital has an authorised capital of $US10m., of which half is paid-in. It is one of the first Hong Kong banking institutions founded as wholly-owned subsidiary by a German bank. It will participate in loan business, including syndicated loans, money and foreign exchange trading, commercial transactions and documentary business.

DG Bank serves as the liquidity manager and central bank for West Germany's co-operative system, which has consolidated total assets of almost DM240bn. It established a Hong Kong representative office early in 1976.

Kulim Malaysia gain

BY WONG SULONG

KUALA LUMPUR, April 11.

PRE-TAX profits at Kulim Malaysia rose by 30 per cent. last year to reach 8.6m. ringgits ($US3.6m.), but fell short of the company's forecast of an 11.68m. ringgits profit.

The confident prediction of 11.68m. ringgits was made by the company during the first half of the year, when it achieved a pre-tax profit of 5.8m. ringgits.

However, the sharp decline in oil palm prices during the second half squashed all hopes of such optimistic results. While Kulim was able to get 1,431 ringgits per ton for its palm oil, during the first half, the average price for the second half was only *1,000 ringgits per ton.*

The company's estates were also affected by drought during the later part of the year, resulting in a poorer crop than expected.

Despite higher tax of 5.4m. ringgits (2.97m. ringgits previously), the group's net profit *of 3.76m. ringgits ($US1.6m.)* was 48 per cent. higher than the previous year. This is largely due to a gain of 0.6m. ringgits derived from the revaluation of a foreign currency loan.

A final dividend of 13 per cent. is paid, making a total of 23 per cent. (same as previous year).

North Borneo Timbers

North Borneo Timbers, which suffered a sharp reversal in profits during the first half of the current financial year, has revealed figures for the nine-month period showing a continuing deterioration of the company's results, writes Wong Sulong from Kuala Lumpur.

The company last reported a *drastic drop in its profits to only* 455,000 ringgits ($US194,000) for the first half of the year, compared with profits of 12.24m. ringgits during the same period of the last financial year.

It expects the final quarter of the financial year to improve, however, although profits are *likely to be very much below the* bumper profits of 23.4m. ringgits of the last year.

Rakyat bank trebles profit

By Our Own Correspondent

KUALA LUMPUR, April 11.

A THREE FOLD increase in profits was reported by the Rakyat First Merchant Bank, the small Malaysian bank, in which the Citibank of New York had a 45 per cent. interest until early this year.

Pre-tax profits for 1977 was 520,000 Ringgits ($220,000) compared with 185,000 Ringgits the previous year.

The bank is now a wholly owned subsidiary of the Malay Co-operative Bank Kerjasama Rakyat, which bought out the Citibank's interest following the souring of their relationship. Bank Rakyat is now suing Citibank for 6m. Ringgits in connection with letters of guarantee which the American bank issued to enable the former chairman of Bank Rakyat, Datuk Harun Idris, *to sponsor the Muhammad Ali-Joe Bugner bout in Kuala Lumpur in 1975.*

CONTRACTS AND TENDERS

FINANCIAL TIMES SURVEY

Wednesday April 12 1978

Asian Banking and Finance

Although growth rates in South East Asian countries were well above world average last year, investment has slowed down because of the recession. Demand for funds fell last year. There is also growing competition among the region's offshore banking centres.

Less demand for funds

By David Housego, Asia Correspondent

THE ASIAN and Pacific region has been no exception to the now familiar pattern of too much commercial credit chasing too few borrowers. Banks have had to cut their rates on new international loans as they have done worldwide.

But also, in contrast to the overall expansion of Eurocurrency credits last year, the volume of loans to the developing nations of South East Asia and the Far East—with which this survey is concerned—declined as well. The $3.5bn. of syndicated loans they were recorded as having borrowed in 1977 was marginally down on 1976 and about 14 per cent. below the level of 1975.

In part this drop was due to the special circumstances of Indonesia and the Philippines. From being the largest regional borrower in 1975 absorbing $1.8bn. of new syndicated credits, Indonesia last year was one of the smallest as a result of the collapse of the state oil company Pertamina and the restructuring of the country's debt. Loans to the Philippines likewise halved last year from their level of $1.2bn. in 1976 as the Government bowed to the IMF's demand for a ceiling on commercial loans of 1 to 1,5 years maturity in return for extended borrowing under the Fund's special facility to help countries with severe balance of payments problems.

Both the Philippines and Indonesia have recently been taking advantage of the cheaper international finance now available to refinance their more costly credits and lengthen the maturities. Hong Kong and Malaysia have followed similar policies. Such refinancing together with a tendency to make advance borrowings now while the market is in their favour accounts for much of the spurt in new loans in the first quarter of this year.

But there is no real sign of a pick up yet because of the widespread wariness at undertaking new projects and investments. South Korea, the largest borrower in the region last year among this group of countries, anticipates a drop in net capital inflows this year because its industrial expansion is being hit by growing protectionism and because its rising foreign exchange reserves have enabled a more selective approach to foreign borrowing.

In Indonesia and the Philippines, the lack of suitable projects is reflected in the downturn in registrations of new foreign investment—a result in turn of depressed markets for minerals like nickel and copper, uncertainty over the outlets for manufactured exports and an impatience with government regulations.

Expectations

In Malaysia as well, private investment has also been well below official expectations, and outside the oil and gas sector, the government has been largely funding increased public expenditure outlays itself. Thailand is becoming something of an exception to this general pattern, with both private and public investment picking up of late under the new regime of General Kriansak Chammanand. The government also seems a little readier than its predecessors to borrow from the international capital markets.

Hong Kong has been making large borrowings to finance the Mass Transit Railway. More such massive projects are on the horizon with the development of Lantau, the possible building of a new airport and the expansion of the Colony's power generating capacity. As a government Singapore prefers not to borrow abroad, though private and public investment have held up well. A disappointment has been the postponement of the building of the $1bn. Sumitomo petrochemical complex—the island's largest outstanding private project.

Notwithstanding this generally dull investment outlook, the countries in the region recorded economic growth rates last year well above the world average and often higher than their own forecasts. Profits of domestic banks — whose operations are the backbone of the region's financial structure—have generally moved in line.

Hong Kong's GNP expanded by an unexpectedly handsome 11.6 per cent. at constant prices. This was in spite of the meagre 5 per cent. growth in volume of exports after the 30 per cent. increase which fuelled the boom of 1976. The government-led construction programme provided a boost to employment and incomes that would otherwise have faltered under the impact of the slowdown in trade.

Singapore, South Korea and Taiwan achieved a larger expansion in exports of manufactured products to record growth rates varying from just under 8 to 10 per cent. Malaysia and Indonesia benefited from the cushion of expanding commodity revenues from oil, rubber and tin which provided the impetus for a growth of around 8 per cent. In Malaysia the banks found themselves flush with funds. Elsewhere demand for credit for trade and construction remained unexpectedly firm though a number of governments lowered interest rates to boost productive investment.

What is emerging is a tendency by governments to intervene more directly in the allocation of credit either to encourage what are considered economically desirable objectives, or for social purposes. The State-owned financial institutions of Singapore and South Korea have long been used as intermediaries in this way.

But last year Central Bankers of the five member ASEAN group of countries recommended that commercial banks in the region put more funds into agriculture and related ventures. Thailand has under review a new law which would divert more bank funds to the rural areas and to export industries. Banks in Malaysia already chafe under guidelines which reserve a proportion of their funds for Malays, manufacturing and housing.

The Philippines last year introduced regulations restricting the access of foreign companies to local currency borrowings on the domestic market. This was part of an attempt to pressure international companies to bring more foreign exchange into the country through a widening of their capital base. In practice the authorities had to relax the implementation of the rules in an attempt to revive flagging foreign investment.

As between Central banks of the region there is still little co-operation. The ASEAN group of countries in August formally adopted a $100m. swap facility to assist each to offset short term cash flows. But the amount is nominal and totally inadequate to stem substantial speculative movements. The establishment of an ASEAN payments union—discussed last year—remains a distant gleam in the eye.

After the surge of international banks into the region on the tail of the commodity boom in 1972-73 and the hectic activity to recycle funds in the wake of the oil price increase, the last two years have been something of an anti-climax. Citibank and Bank of America, who had been looking to a major expansion of the offshore Asian-dollar market in Singapore, have both cut back their operations there to concentrate on Hong Kong—a move seen by many as confirmation that the market is overcrowded. Over three-quarters of Singapore's Asia dollar business involves inter-bank transactions on which the margins are smaller than on the loans to non-banking institutions. The Asian dollar market in these has largely been cornered by Hong Kong.

But though some banks have been winding down or regrouping with others, there is still a net inflow of banks into Singapore, Hong Kong and Manila. Of these, Manila has yet to prove its claim to be taken seriously as an offshore banking centre. Sixteen Offshore Banking Units (OBU's) have been established since the offshore banking market was introduced last year, nearly all of them representing major banks. On offshore to offshore loans the tax in Manila is 5 per cent. or half that of Singapore. But banks in Hong Kong enjoyed the tax exemption on offshore deals before Mr. Philip Haddon-Cave, the Financial Secretary, made his puzzling announcement in his Budget at the beginning of the month.

On the face of it what the government has proposed is (a) a 17 per cent. tax on profits from the interest on banks' overseas assets (b) the same rate of tax on loans raised and lent overseas but booked through Hong Kong.

The result would be to bring within the orbit of tax bank earnings not arising in Hong Kong—a step that would seem to run counter to the intermediary role that the government has so far encouraged. The ruling has yet to be fully clarified but bankers have already threatened to shift their portfolios elsewhere—Singapore being an obvious alternative. Whether they would carry this through is another matter.

Up to now banks have had a good run in exploiting the loopholes in the Hong Kong tax structure. A recent example has been the offshore bonds issued last year for Hong Kong Land and Co., Jardine Matheson and Eastern Navigation Corporation—all Hong Kong-based groups. These issues escaped the normal 15 per cent. Hong Kong withholding tax on interest by being denominated in U.S. dollars, which established them officially as foreign securities. However, by expressing the interest and repayment of principal at a fixed U.S. dollar-Hong Kong dollar parity, they were effectively accepted in the market as Hong Kong securities.

But beyond its tax advantages (whatever they may now be or not be) and its established infrastructure, Hong Kong has two other advantages over its rivals in Asia as a financial centre. The first is the sizeable number of major projects likely to go ahead in the coming years and for which international banks will be competing to provide the finance. The other is that it provides a foothold to the West's expanding trade with China.

Welcome to bankers was the announcement last month that Hong Kong will substantially ease its 12 year ban on new banking licences by allowing large foreign institutions to establish single branch operations.

Competitiveness

Singapore has been seeking to improve its competitiveness as a banking centre. It has recently tried to develop an Asiadollar market in negotiable certificates of deposit (CDs)—a medium-term instrument which has been lacking in the region. The tax authorities have also taken a lenient view on how banks divide profits from their offshore and domestic activities. But with Peking busy signalling that Hong Kong need have no worries about its future status, Singapore is losing a key political edge over Hong Kong. The attempt by the Hong Kong and Shanghai Bank—which acts in some ways as the Colony's Central Bank—to gain a major stake in Marine Midland in the U.S. is one more sign that Hong Kong feels secure in its future relations with China.

Growth of the dollar market

THE INTRODUCTION of Certificates of Deposit (CDs) denominated in U.S. dollars into the Asiadollar market in Singapore on January 3 was a move designed to broaden its base and to match borrowers and lenders in a more meaningful way. For while the growth of the Asiadollar market has been impressive on paper since its inception in Singapore ten years ago — total assets now stand at over $US21bn. compared with just $US30m. in 1968 — that growth has been somewhat artificial.

Around three-quarters of the activity in the market, measured by value of transactions, has been interbank lending, in other words bankers lending to or borrowing from one another in order to square their positions and to fund loans put together elsewhere. A large volume of the market's transactions has thus been of an essentially short-term nature, with relatively little activity in the medium-term loan and long-term bond sectors of the market. Other centres such as Hong Kong have tended to dominate these sectors.

One reason for this is Hong Kong's proximity to major borrowers such as Japan, Korea, Taiwan and the Philippines, as is the fact that the Colony got into the Asiadollar market before Singapore. Taxation and Government controls on the Asiadollar market are also somewhat more onerous in Singapore than in Hong Kong.

However, it can also be argued that another reason for the bias towards short-term transactions in Singapore's Asia dollar market has been the lack of the suitable capital instruments to attract lenders. While there is probably no shortage of business houses and wealthy private individuals with funds to invest in the Association of South East Asian Nations (ASEAN)—in which Singapore shares membership with Malaysia, Indonesia, the Philippines and Thailand—such funds are not always available for long-term lending.

The introduction of CDs, standing in maturity somewhere between a bank time deposit and a bond, is therefore an attempt to get investors to deploy their funds in medium-term capital instruments which they can trade in the secondary market if they need cash, and which at the same time will enable lending banks to match the maturity of their deposits more closely with that of their medium-term loans.

The market certainly needs a balance-redressing innovation of this type. At the end of November, 1977, out of total "footings" (assets/liabilities) of U.S.$21bn. in the Singapore Asia-dollar market, no less than U.S.$15.8bn., or just under 75 per cent., was in the form of interbank funds, with the remainder going to non-bank customers.

By the end of the third quarter of 1977 total assets of the Singapore-based Asiadollar market were $U.S.19.328bn. Of this, $U.S.8.575bn., or 44.4 per cent., was in maturities of up to one month while a further 30 per cent. was accounted for by maturities of up to three months. Altogether, loans of up to one year maturity accounted for 97.5 per cent. or the total market, with the remainder split between currencies of one and three years and over three years.

The idea of the Monetary Authority of Singapore now is to get all or most of the 78 offshore banks or Asian Currency Units (ACUs) in Singapore to issue short- and medium-term CDs as a means of correcting these imbalances. As CDs are negotiable instruments, assuming that a successful secondary market can be established in Singapore—a major proviso—the hope is that lenders will switch into these in preference to non-negotiable fixed-interest deposits, even if it means taking a small interest rate penalty.

Borrowers, particularly the international U.S. and Japanese banks which have no local deposit base in Singapore or in South-East Asia generally, are supposed to find CDs attractive as a means of matching liabilities more closely with assets.

Initially, the 26 banks issuing CDs through their Asian Currency Units will confine the maturity of these instruments to between 30 days and one year, although even this is designed to wean the Asiadollar market away from the very short maturities associated with fixed deposits to date.

Eventually the aim is to develop a pattern of CD issues of up to five years and thus encourage depositors to invest in medium-term capital instruments which would enable the Singapore-based Asiadollar market to boost its medium-term financing without prejudice to the matching of assets and liabilities. (In New York, where the CD was invented, around 95 per cent. of all those outstanding have maturities of one year or less and the bulk are for 3-6 months.)

Whether Singapore can successfully collar the medium-term part of the market depends on whether it can attract a heavy volume of funds from Europe and the U.S. comparable to that which Hong Kong is able to attract into Asiabond issues through syndicating them internationally.

Estimated

The U.S.$2bn. size of the Singapore Asiadollar market pales beside the estimated U.S.$200bn. Eurodollar market—of which the London-based CD market alone represents U.S.$20bn., according to U.S. banking sources.

Thus Singapore-issued US dollar CDs will have to be at least as attracitve as the London-issued CDs, which presently draw large quantities of funds from Europe and the U.S. There is evidence that U.S. international banks operating here have resisted suggestions from the monetary authorities that they might initially offer a premium over what they offer as interest on a London-issued CD in order to stimulate the market here.

The first day of activity in the Singapore CD market brought issues of betwen US$50-$75m., mainly of one, two or three-month maturity with nothing over six months. Some bankers had expected to see premiums of 0.0625 per cent. or more offered over London rates in order to stimulate overseas interest, but reportedly there was foreign demand at lesser rates.

Disappointment in some quarters that the first-day issues had not reached $US200m. could be attributed to their reluctance to offer significant premiums, as the issuing houses and market-makers were trying hard to market the new securities among their corporate and individual clients.

In fact the U.S.$200m. mark for issues was not passed until the end of January. Issuing banks and market makers were reluctant to suggest that the experiment had flopped in the light of this, however, arguing U.S. Federal discount rate plus the uncertain outlook for the dollar had held back the CD market not only in Singapore but other major international financial centres as well.

Strictly speaking, U.S. dollar-denominated CDs are not new to Singapore, as Citibank made such an issue back in 1970 when the total "footings" of the Asiadollar market here were less than U.S.$400m. The issue flopped, allegedly through lack of maturity at that time in the Asiadollar market, then only two years old. Last November Dai-Ichi Kangyo Bank and Sumitomo and East Asia have each made floating-rate CD issues denominated in U.S. dollars. Both were well received by the market.

Even so, although there were initially plenty of takers for the issues, including South-East Asian and West Asian central banks, secondary market activity since has been slack. There have also been hints from Japanese bankers here that CDs denominated in yen might eventually make their appearance in competition with U.S. dollar certificates if the Japanese Government accedes to persuasion from Japanese bankers.

There is the demand as well as the supply side of the equation to consider, however, and some bankers feel that significant premiums will have to be offered in order to attract international interest in the Singapore-issued CDs.

With the minimum investment set at U.S.$50,000, both the monetary authority and some banks believe there is a market for CDs among wealthy individuals in the region—such as in Indonesia for example—as well as among corporate treasurers of regional and multinational companies. Singapore also hopes to interest Middle East investors in the securities.

Before they will buy, however, and before international banks and bond traders will regard Singapore as another stop on their trans-global network of centres for switching their CD portfolios—the republic's time zone location enables it to trade after the close of trading in New York and London—the secondary market mechanism must be fully established.

At this stage two U.S. investment banking houses, Merrill Lynch International (Asia) and First Boston (Asia), are primarily responsible for making the market in the Singapore-issued CDs. Both have opened offices in Singapore—First Boston specifically for this purpose—and there are a number of local merchant banks also helping to make a market.

There is talk that A. G. Becker, part of the Warburg Paribas Becker group, may also set up office, and Salomon Brothers is expected to take part from its Hong Kong office, albeit through a local representative.

Altogether, there are around 60 authorised depositories—banks and other financial institutions—serving the new CD market. To avoid "having too much paper floating around Singapore," a CD clearing centre has been established and is being operated by the Hongkong and Shanghai Bank in Singapore, which is the Singapore agent for Euro-clear. The clearing centre collects and pays interest on the CD's, which are in bearer form, and makes a charge on the depositories.

Participation

The CDs can be traded internationally, although at present participation is restricted to institutions with offices in Singapore. One factor which may encourage overseas demand is that CDs issued here will have the names of international or solid local banks behind them, while Asiadollar bonds sometimes suffer the disadvantage of corporate names which are not immediately recognisable.

One school of thought in the financial community here, however, is that with interest rates apparently having bottomed out internationally—Citibank pushed up its prime rate from 7 per cent. to 7.25 per cent. in the first week that CDs were issued in Singapore—the risk of capital losses on CDs could deter some investors. Likewise, the recent decline of the U.S. dollar and the immediate outlook for that currency points to some currency risk in CDs.

The trade-off is between these risks—equally a further softening of interest rates could bring an improvement in capital values, while some think the U.S. dollar has no further to fall—and the flexibility CDs give investors wanting to liquidate their assets without incurring the interest penalty applied in Singapore on prematurely cashing a fixed-interest deposit.

With many uncertain factors in this equation, some observers feel there are at least the technical makings of a secondary market in Singapore-issued CDs and that corporate treasurers, along with wealthy private investors, may be in the market actively before very long. Whether the CDs can do for the Asiadollar market what the London CD market did for the Eurodollar market remains to be seen, however.

Meanwhile a report from the U.S. Embassy in Singapore has revived the debate over whether a relaxation of tax levels and of bureaucratic controls is required in order to stimulate the republic's growth as an offshore financing centre in South East Asia.

In particular the report suggested that the Asiadollar sector is burdened not only by taxes which are higher than in Hong Kong before the proposed changes under Hong Kong's recent budget and in Manila but whose incidence is also higher than would appear from the nominal rate of 10 per cent. on fees earned from offshore borrowers, including interbank transactions.

This may explain why two leading U.S. banks, First National Citibank and Bank of America, have recently scaled down their Asiadollar operations in Singapore in favour of Hong Kong.

However, if Singapore is unlikely to reduce further the *rate* of tax on offshore operations—it needs the revenue to help finance growing public services and social welfare expenditure—the authorities may act to reduce the actual *incidence* by allowing for separate book-keeping transactions on offshore and domestic banking.

The U.S. Embassy report also talked of relatively onerous reporting standards required of banks in Singapore compared to the much more lax requirements in Hong Kong. Even bankers seem to accept, however, that while these requirements are as exacting as those for instance, in America they enable the authorities to monitor the market properly and to produce good official statistics.

There were welcome signs last year that the bond sector of the Asiadollar market in Singapore is beginning to expand. Bonds issued in the republic probably totalled around U.S.$350m. against a previous record level of U.S.$266m. in 1976. The recent refinancing of a loan to Indonesia with syndication arranged in Singapore was also taken as a good indicator that although interbank lending still dominates the Asiadollar market in Singapore, the proportion of lending to non-bank borrowers, including Asian ones, will continue to grow steadily.

Anthony Rowley

ASIAN BANKING AND FINANCE III

Foreign lending picks up

LENDING TO East Asian borrowers (excluding Japan) *got off to a flying start this year.* Over $1bn. worth of loans were either completed or announced in the first ten weeks of 1978. During the whole of last year, only $3.5bn. worth of loans were arranged, a slight drop on the 1976 figure of $4.15bn. The reverse in trend in 1978 has been symbolised by a series of major loans: $400m. for the Mass Transit Railway Corporation of Hong Kong, $400m. for Malaysia and $575m. for Indonesia.

This intense activity is not necessarily all sweet music to bankers' ears as the terms the borrowers are able to achieve are getting ever finer. Most countries in the area are refinancing loans raised a few years ago for which they had to pay higher interest rates for shorter maturities than they are able to get to-day.

It makes sense for countries whose foreign reserves are higher to-day than two or three years ago or whose balance of payments situation is healthier to repay loans early and contract new ones on cheaper terms.

Malaysian borrowers can get a spread of ¾ per cent. on their borrowing, Philippines' state guaranteed organisations 1 per cent., non-state *Indonesian* organisations 1 per cent., and the Hong Kong Government 1 per cent. But as yet there is no evidence of any pick up in loan demand in the West and the trend of softer terms for most borrowers evidenced in South-East Asia is likely to continue for the time being.

The fall in spreads for these *borrowers can* also be explained by factors which have little to do with market trends, and relate directly to economic factors particular to each country. Indonesia is a case in point.

The two tranche $575m. loan for the Republic of Indonesia was that country's first major loan in many months and was also an exercise *in rebuilding* the confidence of the banking community after the Pertimaua affair. The borrower might have achieved finer terms if he really had tried to but that could well have nullified the *psychological aspect of the* operation, in this instance an essential one. The fact that the national Indonesian airlines Garuda was able to raise money with a longer maturity and a lower spread than the Republic *a few weeks later is explained* not so much by any quickening of the improvement of Indonesia's financial situation as perceived by the banks as by other factors.

Bankers prefer to know where *their money is going:* into buying aircraft in this case rather than a general purpose loan. An aircraft also happens to represent an asset which can be more easily impounded in the event of default. Airlines tend in any case to be run on a more commercial basis than major projects . . . let alone a country's budget.

Concern

Apart from ever cheaper *terms* for the borrower, the possible moves by the Comptroller of the currency in Washington is another source of worry for some bankers. *The* proposed ruling that loans to governments and government agencies would be counted as going to the same borrower could test bank ceilings on lending to certain countries.

But details of this proposed ruling, which would also affect many non-Asian borrowers, are still unclear. If rules were tightened, *this* would certainly help Japanese and European banks which have been increasingly competing with U.S. banks in this part of the world.

A further interesting development is exemplified by South Korea. This country has such high reserves of foreign currency to-day, about $4½bn., that its banks have found themselves in the position of making foreign currency loans to South Korean borrowers. Furthermore, South Korean borrowers can raise money to-day without providing the traditional guarantee from the Korean Development Bank or the Korea Exchange Bank.

Borrowers from the area are also beginning to have access to the Eurobond market. South Korea, Malaysia and the Philippines have already floated bonds as also has Thailand. The bond market, which provides long-term money is traditionally reserved for borrowers which are considered very good credit risks, usually Western Governments, their agencies and Western corporate names.

A round-up of the situation in each country provides some indication of borrowing requirements this year, even though the precise calendar is not easy to give. The two major borrowers have without doubt been Indonesia and South Korea. The first borrowed much less last year than in 1976 but earlier this year signed a contract for a $575m. seven-year two-tranche loan carrying a spread of 1⅜ per cent. throughout. A loan for the state airline Garuda quickly followed: $112.5m. on much finer terms and with no guarantee. The *Indonesians are welcome* borrowers as bankers feel the country is sorting out its economic problems and improving its current account position.

South Korea has been a much sought after borrower in recent years. A $100m. loan for Pohang Iron and Steel has recently been signed and the Korea Electric Company is considered to be the most likely *next customer* on account of its nuclear power projects.

The legal argument which was *still running last year about* whether guarantees provided by the Korea Development Bank and the Korea Exchange Bank *do represent the "full faith and* credit" of the country remain unresolved but appear to many bankers to be somewhat academic.

Malaysia is another customer finding much favour with the *banks and the South East* Asian borrower which to-day has achieved the finest terms in the market for borrowers from this part of the world—$400m. for eight years on a spread of ⅞ per cent.

The next Malaysian project which should provide bankers with a good opportunity for business is the major gas liquefying plant which the authorities in Kuala Lumpur are considering. No final decision is expected until later this year. The Philippines borrowed much less last year than the year before but got off to a quick start in 1978. Further loans are expected very soon, on softer terms probably than

	1975	1976	1977	1978*
South Korea	347	738	1,265	100
Malaysia	425	207	212	540
Philippines	363	970	698	239
Taiwan	135	219	524	—
Indonesia	1,348	470	817	75
Thailand	14	100	203	—

ASIAN BORROWING 1975-78 ($m.)

* Estimated.

the 1 per cent. for seven years which was agreed on the last loan to the Central Bank.

The Central Bank of the Philippines is currently negotiating a $400m. loan which will be for ten years and carry a spread of 1 per cent. This operation will be in the form of a club.

Investigation

Bankers say they are not worried by a possible Congress investigation into alleged fraud on the nuclear power project contract which has been financed in part through medium-term loans raised two years ago.

On the bond market the Philippines has floated two DM bonds in recent *months.* The second had a very bumpy ride in the secondary market, but as to whether the country could continue raising money in the form of Eurobonds is difficult to say. Much depends on how that particular market develops in the months to come.

Taiwan has raised one major loan so far this year: $73m. for Taiwan Power Company. The loan is in two tranches, one of $53m. for seven years, at a margin over inter-bank rates of 1 per cent. for the first three years rising to 1½ per cent. for the last four; and the other of $20m. for nine years with a margin of 1⅜ per cent. The loan, which was managed by Chase Manhattan Asia, will be used to cover part of the cost of U.S. goods and services for the company's 1980-82 base loan power project and was arranged *jointly* with U.S. Eximbank Finance.

The last in line, Thailand, has been a reluctant borrower though it has steadily increased the amount of money raised in the form of medium term loans over the past three years. It has recently named Chase Manhattan Asia as financial adviser to the Natural Gas Organisation of Thailand, whose major pipeline project is estimated to require $500m. or more in loans. However much *of that might be raised this* year, a decision is expected in the next few months. Meanwhile Dresdner Bank has arranged a DM50m. private placement for the Kingdom of Thailand. This was the first foray of Thailand into this particular market.

Most bankers expect the volume of loans to South East Asia to rise this year, though they are not entirely happy with the very much cheaper terms which all major borrowers expect to get when raising funds. When and to what degree the market turns, with spreads rising and maturities possibly shortening, a matter for speculation. Many in the banking community hope it will not be too long.

Francis Ghiles

Bright future for S. Korea

SOUTH KOREA'S economic planners have a problem that makes them the envy of their counterparts in other developing countries: too much foreign exchange.

According to Seoul's economic blueprint, foreign exchange reserves at the end of 1977 were supposed to rise to $3.7bn. from the $3bn. of the previous year. Instead, buoyed by higher-than-expected Middle East construction revenues, they soared to about $4.5bn., and South Korea's fiscal engineers are now *grappling* with way to curtail money supply growth and beat back inflationary pressures.

Many foreign observers, as well as officials of South Korea's Economic Planning Board, believe the solution lies in a comprehensive programme of import liberalisation. But moves in that direction have so far been slow, primarily because the Government believes domestic industry would have difficulty competing against imported goods. So instead, they have introduced a series of controls on foreign currency entering the country and, as a result, the burgeoning network of foreign bank branches in Seoul is facing the prospect of a reduction in profits.

At present, there are 30 foreign bank branches operating in Seoul, led by the American giants Citibank, Bank of America and Chase Manhattan. Chartered opened its doors ten years ago, the first British bank to do so, and in 1977 was joined by Lloyds, Barclays and Grindlays. In fact, a total of 15 new foreign branches began operations in 1977 and early 1978, spurred by the prospect of cashing in on one of the world's most rapidly expanding *non-petrodollar economies.*

Economic growth in 1977 was about 11 per cent. and this year should be about the same. Significantly, 1978 will probably see South Korea enter the IMF-defined ranks of the developed countries as per capita GNP passes the $1,000 mark.

The Economic Planning Board has expressed general satisfaction with last year's progress, and notes with particular happiness that domestically generated savings now cover 95 per cent. of investment needs. Two years ago the figure was only 66 per cent.

The key to South Korea's economic success has been its rapidly expanding imports. Last year's sales broke the $10bn. mark and for the first time the country enjoyed a current accounts surplus.

But faced with the rising tide of protectionism in its major markets, particularly the U.S. and the European Economic Community, Seoul's economic planners are worried that South Korean export growth could begin to *sag unless the country* can move away from the light industrial product sales which have borne the brunt of the protectionists' wrath. Foreign bankers are hoping that Seoul's planned conversion to production of more sophisticated goods, both for export and home sales, will require significant infusions of foreign capital.

There is still reason to believe this will be the case, though the outlook for the bankers is clearly not as bright as it once was. In 1978, long-term capital inflows are expected to drop to $1.7bn. from the $1.9bn. *of the previous* year as the Government adopts an increasingly selective attitude towards long-term loans and investments. *Public loan arrivals* are projected at $600m. with commercial loans put at just over $1bn. and foreign equity investment arrivals at $80m.

Credits

Short term capital inflows will be substantially reduced as well. In fact, the Government now *projects a net outflow of* some $666m. This will be accomplished by cutting back on short-term foreign currency loans from abroad and replacing them with foreign exchange loans currently held in South Korean vaults. Trade credits for imports and advance payments for Seoul's exports will be strongly discouraged.

The means by which the short term inflows will be cut have largely been revealed, and when taken together present some real problems for foreign bankers. Among the notable measures taken so far have been:

A rise in the ceiling on short term import loans offered by local banks exclusively from $250m. to $500m.

"Swap" transactions between foreign branch banks and the Bank of Korea, whereby the foreign banks obtain won in exchange for foreign currency, are frozen at $300m.

Interest rates for short term foreign currency loans from both domestic and overseas sources are reduced across the board in the hope that borrowers will make greater use of domestically-available foreign exchange.

New foreign bank branches opening in South Korea are given a $5m. ceiling for "*swap*" transactions. The previous ceiling had been $10m.

Foreign currency loans extended by foreign banks for purchases of raw materials are abolished and replaced by lending mechanisms which make use of foreign reserves already in the country.

As a result of these and other *steps, bankers in Seoul say that* where a year ago a new foreign bank branch could expect to make a profit within perhaps six months of beginning operations, it will now take closer to two years. The South Korean Government is believed to have decided to allow only three more foreign bank branches this year, although it hopes the *freeze on new operations can be* withdrawn in two or three years when it has a firmer grip on the problem of influx of foreign currency.

Nevertheless, foreign bankers in Seoul are confident that in the long term South Korea still represents a very profitable market. Capital construction is booming and the trend is towards further expansion.

A number of major projects will be begun in 1978 in which foreign finance plays an important role. Among them are the Kori-3 and four atomic power plants, the Sanchunpo 1 and 2 thermal power plants, the *Chunju Dam,* the second phase of construction at Pusan Port, major road and telecommunications upgrading, work on an integrated water supply, and the Okseo area development. The foreign portion of costs on these projects totals $21bn.

In addition, planners are considering a number of large projects in the future which would require significant foreign capital. One of them is a second integrated steel mill, on which site selection work is already under way. If, as now appears likely, the plant is approved, it would cost about $4bn.

Even with the spectre of protectionism, Korea's export future still looks bright and as a result debt service ratio projections are very encouraging. The debt service ratio for this year will be about 11.7 per cent. and should decline progressively over the next several years. By 1981 it is forecast to be only 10.5 per cent.

Peter Weintraub

Hong Kong's banks boost their profits...

THE BANKING SECTOR has reflected the strong momentum that the Hong Kong economy has sustained over the past year; in spite of rather dull external conditions, money supply grew at a steady 20 per cent. during 1977 while the pace of lending accelerated with a 25 per cent. gain. As the inflation rate remained at fairly low level—a 5.8 per cent. rise in consumer prices and an overall GDP deflator of only three per cent.—this represented a healthy enough real increase.

The GDP meanwhile grew by 11.6 per cent. in real terms and by 15 per cent. in money terms, making for the second successive year in which double digit growth had been achieved. The rise followed an increase of 16.9 per cent. in 1976 and for 1978 the Financial Secretary in his budget forecast that 1978 would see another gain of a healthy eight to ten per cent. in real terms. These performances have silenced some critics who had been saying the colony's economic performance was failing to keep up with that of its sprightly East Asian neighbours, South Korea and Taiwan, or even with Singapore—though that island republic's days of persistent double digit growth now seem well behind it.

The current and continuing growth of the economy is primarily the follow through from the great 1976 export boom, when exports in real terms rose by no less than 30 per cent. in one year. The sharp rise then in personal and corporate income took time to be reflected in either consumption or investment. Consumption grew at only two-thirds of the pace of GDP in 1976. But it more than made up in 1977, with a jump of 15 per cent. At the same time there was a spurt last year in capital spending which rose by 25 per cent. Investment in plant and machinery was surprisingly strong considering the unsettled world economic picture and seemed to reflect the surge in optimism which occurred in 1976 rather more than the 1977 outlook. But the most obvious spur was construction, which rose 34 per cent.

The public sector was the main lead with building work on the Mass Transit Railway reaching a peak of activity in terms of local employment. This coincided with the Government's own public works spending suddenly lifting off after falling behind schedule in the previous two years. Private construction activity was also very healthy, rising about 30 per cent. in response to the surge in spending power which sent rents, especially in the residential sector, soaring past the 1973 boom peaks. (Curiously, the rise in land and property values was not reflected in the stock market despite the heavy dependence of the market on property related issues.)

Growth

The construction boom absorbed some 15,000 extra workers directly. At the same time service industries, catering to both domestic demand and the external sector, added many thousands. Tourism had a strong year, with hotels fully booked during the peak season, and the financial sector had further rapid growth. So though the manufacturing sector shed 20,000 workers (the textile and garment industries lost 38,000) the overall labour market tightened. Unemployment fell to 4.1 per cent. in September and wages continued to rise. Average wage rates in manufacturing rose 12 per cent. while those in the volatile construction sector jumped 20 per cent. As domestic demand gathered momentum credit volume began to increase with a resultant impact on money supply. Construction and home flat purchase absorbed a lot of funds, or at least commitments, nonetheless. The tightening of liquidity expected later last year was not especially marked, and best lending rate, which had twice been reduced earlier in the year, remained at 4.75 per cent.

All this activity was being sustained, however, on the back of exports which in real terms grew only 5 per cent. This slow growth seemed mainly the result of weak demand in major markets, particularly for garments. Exports to Germany, Britain, Australia and Canada all fell markedly. And it was only fairly strong demand from the U.S., plus growth in sales to smaller trading partners, which kept expansion going at all. But there were also questions as to whether the strength of domestic demand in Hong Kong was not crowding out export manufacturing, or pushing up wage rates to uncompetitive levels in some products. The Financial Secretary warned of the danger of domestic overheating hurting exports, on which all else ultimately depended. However, if the Financial Secretary was worried it did not show up in his 1978 budget.

Despite his forecast of GDP growth for 1978 of 8-10 per cent., even though he put export growth at only 5 per cent. He did not take any evident steps to restrain domestic demand — again the construction sector is expected to take the lead, pushed by a further big leap in Government capital spending and continued strength in private building. The budget itself, he estimated, would be roughly in balance compared with a surplus of over HK$1bn. in the 1977-78 fiscal year (ending March). The past two years have seen the Government sector acting as a deflationary force — roughly offsetting the additional demand created by work on the Mass Transit Railway.

Some commentators were surprised to find the Government providing additional stimulus at this time. But others considered the fiscal outcome would again be much more conservative than forecast.

It was clear that domestic activity could not continue to rise faster than exports. Meanwhile the new textile agreement forced on Hong Kong by the EEC in late 1977, after much hard bargaining and threats, left almost no room for export increases in 1978. For this year, export quotas have been pegged at below 1976 levels—though a little over 1977 performance levels. Thereafter, allowed growth is at very low levels. By 1978, exports would have to return as the prime mover.

Some concern exists that the world outlook will continue to be dull into 1979. By then two years of heavy domestic demand could have pushed wage rates too high to take advantage of any new export opportunities available. The key to the situation may be the behaviour of the exchange rate. Since the Hong Kong dollar was floated, the exchange rate has, it is thought, become the principal medium for Hong Kong's adjustment process.

(Previously the process acted mainly through the interaction of the external position with the money supply.) Last year the Hong Kong dollar fell, reached an all time peak early in the year, and then fell quite sharply. By year end it was 6.6 per cent. lower than a year earlier. This partly reflected a move from a small visible trade deficit of HK$1.7m. in 1976 to HK$3.8m. last year. For 1978 the deficit is expected to rise further, perhaps to as much as HK$6m., as domestic demand continues to outstrip exports. Haddon Cave forecast export growth of 6 per cent. against 10 per cent. import growth.

Deficit

What this will do to the exchange rate is not at all clear. In theory, it should fall further. But some sources suggest it has already discounted the larger trade deficit, and meanwhile there will be substantial capital inflow associated with the Mass Transit.

The deficit is expected to have some contractionary effect on money supply growth. With drawdowns being made on construction loans, it is generally thought that interest rates will tend to start upwards.

Though rates have been low, the rapid growth in lending has helped the local banks to some comfortable profit increases — 28 per cent. for the Hang Seng Bank, and few expected it to be much under 20 per cent. However, some of the shine was taken off the banks' situation in the budget when the Financial Secretary announced that in future they would be taxed on the interest earnings of overseas assets where these derived from Hong Kong operations.

This will effectively hit those banks which for various reasons hold a substantial part of their assets, particularly, liquid assets, outside Hong Kong (apart from interbank loans, liquid assets in Hong Kong are hard to find).

Otherwise, the financial sector has been having a fairly quiet time recently. A flat stock market has discouraged new issues and even Hong Kong's biggest ever merger, between Hutchison International and H K and Whampoa Dock late last year created little stir. However, it seems to have been third time lucky for local dollar certificates of deposit. After false starts a few years ago, Wardley, a subsidiary of the Hong Kong Bank, began offering CDs of various maturities and was followed soon after by Chase Manhattan and Citibank.

By a Correspondent

...as the economy stays buoyant

OF THE MAJOR components of the Hong Kong economy, none has grown more rapidly in recent years than services. And within that sector, financial services have been to the fore, especially externally related services.

This represents a swinging back of the pendulum. Formerly the economy was almost entirely dependent on entrepot trade and related banking, insurance and other services. Then in the 1950s and 1960s there was the amazing growth of manufacturing industry—mostly, highly specialised industry for export, like garments and toys. But the 1970s has seen some reversal of the trend towards manufacturing. Financial services, and tourism have outstripped industrial growth. In a sense, Hong Kong's entrepot function has been transferred from goods to financial services.

Part of this process has been a result of the pattern of economic development in the region. In Hong Kong's case the raw industrialisation of the 1950s and 1960s has been followed by a natural shift towards the service sector.

This has been further helped by the pace of growth in neighbouring countries which has also led to demand for specialised financial services. In part the process has been due to the imbalances in trade and payments arising out of the 1973 oil price rise. In 1972 and 1973 there was an influx of banks and other financial services into Hong Kong in the wake of rapid economic growth and the stock market boom of that period. But the slump which followed ironically saw Hong Kong's position continue to grow in importance.

The newly arrived financial institutions were well placed to take part in the massive redistribution of resources necessary after the oil crisis—the so-called dollar recycling process. As a result, many new banks continued to set up in Hong Kong, either through representative offices or locally incorporated finance companies, to partake in the lucrative lending business. Three of the largest borrowers in the developing world were all situated within Hong Kong's catchment area—Indonesia, South Korea and the Philippines. Additionally there were several other countries with capital needs and a creditable economic performance—like Malaysia and Thailand, not to mention Hong Kong itself.

In the early days, Hong Kong seemed very much to be playing second fiddle to Singapore which had gone out of its way to attract offshore banking business by reducing its tax rate to 10 per cent. on profits from this business. Hong Kong continued to levy a 15 per cent. witholding tax on interest which made it effectively impossible for banks to accept US. dollar deposits from offshore depositors. But many bankers soon concluded that Hong Kong was a satisfactory enough place anyway. A local tax ruling determined that local banks could borrow funds from associates offshore without being confronted with interest tax. They could then onlend those funds. As both borrowing and lending were offshore, no tax was payable on the profits gained. From this situation evolved a system which was complicated but suited bankers in various ways. Banks or finance companies could borrow funds from associates.

These funds did not face interest tax. The funds would then be onlent to a borrower overseas. The profits from the lending transaction would accrue in Hong Kong but would be regarded as having been earned outside Hong Kong and thus not be subject to profits tax at all. The growth of this business can be seen from the official statistics. At the end of 1973, licensed banks in Hong Kong owed HK$8.9bn. to banks overseas while loans to banks overseas totalled HK$10.8bn., and other foreign loans HK$1.7bn. By the end of 1975 the respective figures had grown to HK$21.2bn., HK$21.1bn. and HK$10.1bn. and by the end of 1977 they were up to HK$37bn., HK$35bn. and HK$18bn. respectively. Even these remarkable statistics understate the situation because many big foreign banks which were unable to set up branches because of the ban on new banking licences, set up local finance companies to carry on offshore lending. No finance company statistics are published but it is thought that there is now as much offshore business on the books of the finance companies as on those of the licensed banks.

Profits

Inevitably the growth of offshore business has been watched jealously by the competitive centres of Singapore and Manila. Thus the Government caused surprise by seeming to play into the hands of Hong Kong's rivals when it unexpectedly announced in late February its intention to tax the profits on net interest earned on loans arranged by bank branches and finance companies in Hong Kong.

If carried through, this would mean these profits would be taxed at Hong Kong's standard 17 per cent. profits tax rate—considerably higher than Singapore and Manila. It remains to be seen just how far the government pushes this new tax aim and whether it damages Hong Kong's role as an offshore centre. Some bankers suggest it could lead to more loans being passed through the book of branches elsewhere, even though the bankers themselves continue to operate physically out of Hong Kong on grounds of convenience and lack of red tape.

Apart from that which goes through local books at present, there is a lot of lending business arranged by representative offices in Hong Kong which is not recorded locally. However, any move of the paperwork to other centres would have some impact on related professional services in Hong Kong. Bankers also feel it is inconvenient to have too many split functions. Singapore already has an infrastructure for doing the paperwork so some business could go there. Bahrain is also now said to be competitive from an operational standpoint.

But whatever happens on the tax question it seems unlikely that the tremendous growth of offshore financial services seen in recent years will continue at the same high level. This will have some impact on Hong Kong's overall GDP growth (value added per worker in this industry is several times higher than in manufacturing) but Hong Kong is unlikely to cut its own throat for the sake of a small amount of taxation. It should have little problem in remaining the region's premier offshore financial centre as well as continuing to generate a very large amount of domestic business.

By a Correspondent

Tighter control in the Philippines

ECONOMIC GROWTH in 1977 was below both that year's target and the preceding year's rate. The Government put much of the blame on high interest rates. It said these were holding back investments and reinvestments in new productive facilities.

The private sector insisted, however, that the slowdown was more the result of recessionary pressures abroad. But the monetary authorities nonetheless overhauled the interest rate structure before the end of the year.

Based on preliminary estimates, gross national product amounted to pesos77.6bn. last year (the average peso-dollar rate then was 7.40-to-one) compared with pesos73.2bn. in 1976 at constant 1972 (base year) prices, up by only 6.1 per cent. and lower than the 7.3 per cent. of the previous year.

Provisional data also showed slack in domestic consumption and investment. Personal consumption expenditures at pesos49.7bn. last year were up by a meagre 3.8 per cent. over the preceding year. Business outlays in new machinery, equipment and other facilities at pesos20.9bn. were up by only 3.6 per cent. There was a slowdown, too, in the growth of gross domestic capital formation: a 3.6 per cent. rise to pesos21bn. last year, whereas the increase posted in the preceding year was 6.6 per cent.

To give the economy a boost the Government incurred a deficit of pesos2.85bn. in its cash operations last year, or pesos3.4bn. more than the preceding year.

Also the central bank made drastic changes in the interest rate structure, to bring down the cost of money.

Maximum deposit rates were maintained at 7 per cent. for savings deposits and between 8.5 and 12 per cent. for time deposits, thus maintaining the existing incentives for savers—but the Central Bank declared basic loan interest ceilings as effective rather than nominal rates, thereby limiting the room for manoeuvre on markups and other non-interest expenses charged by lenders on borrowers. These basic rates were 12 per cent. on secured and 14 per cent. on unsecured loans maturing in less than 731 days, and 19 per cent. on loans, whether secured on unsecured, maturing in over 730 days.

Unexpected

The maximum yield on deposit substitutes, or debt instruments traded on the money market with maturities below 731 days, was likewise declared as effective instead of nominal, and reduced from 17 to 16 per cent. effective last January and to 15 per cent. effective next July.

To compensate the banks, a traditionally non-earning portion of their funds was allowed to earn a 3 per cent. interest—CB itself started paying interest on that portion of the required bank reserves deposited with the Central Bank for clearing account purposes. As a further compensation, the monetary authorities scrapped a so-called matching requirement under which a bank's outstanding long-term loan portfolio must not exceed 80 per cent. of its time deposits, and its purchases of receivables and other IOUs maturing in over 730 days must be equal to its deposit holdings. The scrapping of the requirement should release for lending purposes substantial amounts otherwise frozen.

Although the Central Bank had imposed ceilings on access by foreign companies to domestic credit resources based on the debt/equity ratios of the borrowers, it in practice made the regulations flexible enough as to ensure no undue interruption of credit flows. The bank allowed liberal exemptions from the governing debt/equity ratio requirement, and extended the period for adjustments of existing local borrowings to the prescribed ceilings.

Thus, in the period between July last year and early January this year, some 3.3bn. pesos in local borrowings by 192 foreign companies had been approved by the monetary authorities. Complaints from the foreign business community of a squeeze resulting from the imposition of a ceiling began to dry up.

As of the end of February, access to credit was easier. This seemed due both to the interest rate restructuring and to the beginnings of offshore banking, not to mention overseas financial conditions which tended to favour borrowers. During most of the past two months, rates in both the inter-bank and inter-company sectors of the money market had been on the low side even in the absence of a usual expansionary factor, a favourable balance of payments. In fact, there was a BOP deficit of about $2m. in December, though 1977 as a whole was positive. The 2.4m. surplus recorded last January was well below the 14m. monthly average last year. As it turned out, the major influence on money market behaviour was the entry or impending entry of foreign funds, mainly via offshore banking units (OBU's).

With economic recovery in many industrialised countries slow, big Western banks and other financial institutions in search of loan placements have been looking at possibilities in the Philippines through their respective OBUs (16 at the end of last year), representative offices (15), and branches (four). With on-the-spot representatives, the overseas lenders were better able to assess the quality of the risks. That they were satisfied by the feedback about such risks, was perhaps indicated by the fact that foreign loan syndications for local financing requirements had been on an ever increasing scale in the past two months.

The Central Bank itself secured a $100m. loan from a consortium led by Manufacturers Hanover Trust for relending to the State-owned Philippine National (Shipping) Line and the Bureau of Public Highways. Recently it approved a financing-refinancing scheme for Marinduque Mining and Industrial Corporation (MMIC) under which it will borrow $150m. abroad for relending to MMIC, with $40m. intended to finance MMIC's cobalt refinery project, $30m. to finance Marinduque's nickel inventory and $80m. to refinance the mining company's existing foreign obligations. In the last-named, the Central Bank will be trying to cut the creditors' spread by paying off the used portion of an old loan with a new loan obtained at a relatively cheaper cost.

Target

All this has taken place while the question of how much the International Monetary Fund (IMF) would set as the external budget ceiling for the Philippines, was still unclear. An IMF mission was here recently, and the indications then were that it wo'ld recommend a maximum of $950m. in commercial-term foreign credit availment for this year compared with the Central Bank's requested amount of at least $980m. and last year's ceiling of $860m.

Although the monetary authorities had adopted a "borrow-now-instead-of-later" policy in the belief that the prevailing ease on international capital markets would not last for a long time, they had been closely monitoring all private and government sector borrowings in order to make sure that foreign funds of the non-concessional type would not exceed the expected ceiling to be fixed by the Fund.

L. P. Gonzaga

Singapore's new lines

SINGAPORE continues to produce and plan a series of innovations designed to give the republic's financial sector a more dynamic role in South-East Asia and to boost foreign exchange earnings. While the sector contributes a good deal less to Gross National Product than does, say, manufacturing or trade, it plays a vital part in closing the visible trade gap.

Thus the authorities are anxious to promote the sector in every way possible, particularly as South-East Asia as a region appears to offer liberal opportunities for the "export" of these services without the threat of protectionism which looms over trade with the developed world.

In this context the growth of the Association of South-East Asian Nations (ASEAN) is seen by Singapore as providing scope for the republic to expand its onshore and offshore financial services to its neighbours. This too could help offset the effects of a prospective reduction in Singapore's traditional role as an entrepot centre for some of its ASEAN neighbours' commodities.

Many of the financial developments seen in Singapore over the past year need to be viewed in this light, as well as being reflections of the fact that the republic is essentially a planned socialist economy despite its apparent laisser-faire attitude to private business.

Probably the most important single development was the introduction of a market in negotiable Certificates of Deposit denominated in U.S. dollars to boost the Asiadollar market, which is the key to Singapore's role as a regional financial centre at present.

Markets

On the assumption, however, that Singapore's ASEAN neighbours — Malaysia, Indonesia, the Philippines and Thailand — will wish to finance their development in local currencies as well as the U.S. dollar, and through a wide range of capital instruments, the republic is doing all it can to foster its primary and secondary financial markets.

If government and corporate borrowers in ASEAN are to be persuaded to issue bonds in Singapore in order to fund their requirements (thereby boosting foreign exchange and fees for the republic) they must first be assured of a capital market which is broad and deep. So runs the monetary authorities' thinking.

A tradition of secondary market trading in bonds must be created in order to attract investors as well as borrowers into the market, and it was with this in mind that the Central Provident Fund (CPF) — a statutory body akin to a pension fund — was nudged by the Government into bond trading early this year.

The CPF is by far the biggest holder of government securities in Singapore and the hope is that its intervention will stimulate the sluggish secondary market in these securities. From there it will be only a short step to getting an active market going in other gilt-edged and corporate bonds in Singapore, the authorities hope.

Whether these hopes are justified remains to be seen in the light of the sheer size of the CPF in relation to other financial institutions in Singapore—a far cry from, say, Britain, where a host of pension funds and insurance companies as well as trusts hold large gilt-edged portfolios.

The danger is that the CPF will remain the only market maker of any significant size, the merchant banks having resisted official pressure to become market makers in their own right and the discount houses concentrating mainly at the short-term end of the market.

There have been suggestions, however, that Singapore should establish new lending institutions, along the lines perhaps of Finance for Industry in Britain, which would help fund industry's financing requirements and thus siphon away at least some of the funds which currently go into public infrastructure development via the CPF. Securities issued by a Singapore FFI would enhance the range and maturity of the secondary bond market it is argued by bankers favouring such a move.

It also remains to be seen whether ASEAN countries will move to develop their own capital markets to any significant extent in competition with Singapore's—as Manila is doing—possibly employing foreign exchange controls as a means of keeping such business within their own shores.

While Singapore does all in its power as a State to enhance its regional financial role—and its innovations are certainly imaginative—there are those who argue that greater freedom permitted to private pension funds and insurance companies would expand the role of these financial intermediaries, whose presence is more essential to an active capital market than that

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Thailand survives the setbacks

DESPITE A year of drought and bad harvests, official alarm over dwindling foreign reserves and a disquieting boom on Bangkok's unsteady stock exchange, Thailand's commercial banks have chalked up another year of undisturbed growth. Last year bank deposits increased by 23 per cent and loans by 25 per cent. Profits were equally gratifying, ranging between 16 to 20 per cent. as a return on equity and between 1¼ and 1½ per cent. on earning assets.

But while all agree that these figures indicate how steady the pillars of Thailand's traditional banking system remain, there is some controversy over how desirable this is for the nation as a whole. Most businessmen view bank profitability as a reassuring counterpoint to Thailand's continuing political uncertainties. Some central bank officials, however, consider traditional lending patterns as an obstacle to a more enlightened, if less profitable, credit policy for national development. By promoting legislation to allow tighter controls on commercial bank profits the Bank of Thailand is serving notice that it intends to be more active in future.

The most obvious feature of Thailand's money market over the past year has been the dramatic rise in interest rates as the banks moved from excess liquidity to tight credit. For the first three quarters of 1977 the inter-bank lending rate—the key indicator of the country's interest structure—stood around 8 per cent. The rate has since climbed to 9 per cent. in October and to the 10¼ per cent. it stands at now.

The jump in interest rates in recent months cannot be explained merely by the normal end-of-the-year demand for cash to buy up the harvest and prepare for the Chinese New Year. Business has recovered over the past year and warehouses are building up long depleted stocks. Thailand's export manufacturers, particularly in the chronically depressed textile industry, have been beginning to recover overseas markets as the effective devaluation of the baht while it was tied to the declining dollar made Thai products more competitive abroad.

Investment is showing some encouraging signs, although mostly in the medium range projects of $1m. to $2m.

The unexpected boom in Bangkok's stock exchange left many brokers not only nonplussed but also short of cash. Bankers consider this another force pushing up interest rates. Monthly turnover of the Securities Exchange of Thailand (SET) shot up from a low of Baht 88m. in January 1977 to a dizzy height of Baht 6bn. the following November. The shallow base of the exchange (with 30 listed companies and an equal number of broking firms) combined with the free-for-all rules to allow blatant speculation, extensive insider trading and a disproportionate degree of broker exposure.

Reforms

In November the SET stepped in with reforms to restore order and broaden the market's base. Margin requirements were introduced and set at 40 per cent. A 10 per cent. capital gains tax was imposed on shares sold by individuals within six months of purchase. To encourage more companies to go public, corporate taxes on unlisted companies were raised from 30 to 35 per cent. These measures have induced calm without collapse. But doubts linger over the basic soundness of Thailand's stock exchange.

Meanwhile, the Ministry of Finance has managed to slip through a long-obstructed regulation to remove the tax exemption on bank deposit interest.

The effect of Thailand's growing balance of payments deficit on interest rates is controversial. Until 1976 Thailand's external payments position was positive. Since then the deficit has grown to an estimated $350m. last year and is expected to reach $600m. in 1978. While the country's oil bill will probably escalate to $1.1bn. in 1978, there will be less than half of last year's record rice exports of 1.8m. tonnes available this season because of drought. Planners expect the foreign exchange reserves to wither by $800m. over the year, falling to $1bn. or less than two months' imports.

While payments deficits tend to draw money out of circulation and raise interest rates, this trend could well be off-set by the large overseas loans the Thai Government and Thai corporations intend to raise this year.

The Government's recent attempts to ban the import of 18 "luxury" items and put stiff tariffs on another 141 consumer imports were coordinated with moves to tighten credit. The central bank raised its discount rate—the interest it charges on borrowing by commercial banks—to 10½ per cent. from 9 per cent. Private banks followed by boosting their interbank lending rate to 10¾ per cent. from 9¾ per cent., the largest single jump on record.

Just over a month later, on March 8, the central bank untied the baht from the dollar and announced that its value would be quoted in terms of a "basket of currencies." Although the move was co-ordinated with a new schedule of import tariffs, it seems that long-term fears that the OPEC countries would make substantial sales of dollar holdings prompted Thailand to sever the 15-year link between the two currencies.

A combination of baht revaluation and high tariffs on luxury items may manage to hold down the overall import bill—officials project an overall saving of a quarter of the overall trade deficit—while making investment goods cheaper. Compensating measures, however, will have to be taken if the savings are not ultimately to come out of the long-deprived rural sector whose export crops will become less competitive on world markets through higher prices.

The central bank is also moving to strengthen its controls over commercial lending policy. A Bill currently under consideration will allow the Bank of Thailand to impose restrictions on commercial banks so that the more profitable lines of credit will be consistent with national development objectives, principally loans to agriculture, agro-industries and export-oriented manufacture.

Deposits

In 1977 commercial banks were required to lend nine per cent. of their total deposits to rural areas. The target for 1978 is 11 per cent., or Baht 14.5bn. The central bank has also extended its line of credit to the Government Agricultural Bank from Baht 1bn. to Baht 1.55bn. Commercial banks have also been expanding vigorously in the provinces. Last year 95 new branches were established, of which 76 were up-country.

Paradoxically, Thailand is one of the few developing countries more concerned with its payments deficits than its outside lenders. The central bank's excellent debt management record and the reputation of its governor, Dr. Snoh Unakul, for prudent and enlightened management offset the current deficit in most foreign bankers opinion. Thailand, has only borrowed $317m. on the Eurodollar market over the past three years.

Despite the World Bank's counsel to Thailand to seek more commercial credit, there is a preference for softer development credits. Of the $860m. scheduled for external borrowing in the fiscal year which began last October 1, only $100m. or $200m. are expected to be sought from private sources.

The fact that Thailand is raising two Eurobond issues in April—one denominated in yen for $41m. and the other in German marks for $25m.—is viewed by many foreign bankers as a sign that the country's credit rating remains very good, despite current, and probably temporary, economic setbacks.

Richard Nations

Singapore

CONTINUED FROM PREVIOUS PAGE

of State institutions. The CPF enjoys tax concessions which tend to stifle the growth of private insurance and provident funds.

It is also argued that banks such as the Development Bank of Singapore, in which the State has a 49 per cent. stake, and which is not subject to the limits on the type, size and security for loans imposed on purely private sector banks, operate at an unfair advantage.

Likewise the phenomenal growth of the official Post Office Savings Bank, partly because it is permitted a more liberal branch-opening policy than are the commercial deposit banks, is a factor which some of the latter banks suggest may stifle their growth in future years.

There is also a danger that Singapore is becoming overbanked, particularly in terms of merchant banking. A recent report made by a commercial attaché in the U.S. Embassy in Singapore suggested that "some of the banks that established offices here several years ago expecting to deal primarily in loans outside of Singapore are becoming dissatisfied as the island becomes saturated with representative offices, small off-shore operations and merchant banks; all competing in a smaller loan market in S.E. Asia to-day than existed before."

The report cited the example of two U.S. banks—Citibank and Bank of America—which had recently scaled down their Asiadollar operations in Singapore in favour of Hong Kong. As some banks and other financial operations leave, others come, however, and at the end of January Merrill Lynch announced that it was opening a second office—an investment bank—in Singapore, to focus on the Asiadollar market.

Over the past two years the number of banks operating in Singapore (including merchant banks and representative offices) has increased from 128 to 144, of which 38 are from the U.S. Of the 50 biggest banks in the non-Communist world, 44 are now represented in Singapore.

There are also 34 finance companies — which again complain of unfair competition in that their depositors do not enjoy the tax-free interest concession offered to POSB depositors, and also that the CPF pre-empts much of their role in mortgage finance — as well as four discount houses, five international money brokers, 26 gold dealers and 67 insurance companies.

If activity has been rather slack of late for the off-shore banks, except in the interbank market where margins tend to be narrower than on lending to non-bank customers, the domestic banks have enjoyed somewhat better times. The big three—Oversea-Chinese Banking Corporation, United Overseas Bank and Overseas Union Bank — all reported better profits last year. Unlike the banks in neighbouring Malaysia, which have been awash with cash they were unable to lend in a sluggish investment climate, Singapore banks have enjoyed reasonably good demand for loans from commerce and industry.

On the securities industry front, Singapore again moved to enhance its role as a regional financing centre with the introduction in February 1976 of an experiment in trading stock options, a move which it was hoped would attract investment from beyond as well as within Singapore, and again boost foreign exchange flows. Unfortunately the launch of the pilot scheme coincided with a period of exceptional dullness and low volume in the equity market and thus the stock exchange was forced to resort to the device of issuing "in the money" options, with the striking price lower than the exercise price — option premiums are left to close the gap — in order to preserve even modest interest in option trading. The whole option market experiment may even yet be scrapped, however.

Faced with a continuing decline in the volume of share dealings, the stock exchange announced plans in January to modernise and centralise its operations, in the hope of saving broking firms from closure and of preventing further redundancies.

Central to the exchange's second five year development plan is a proposal to establish a central clearing house and to computerise payment and delivery accounting, as well as a scheme for an authorised depository and a Securities Finance Corporation. By cutting down the processing time for scrip from typically up to 24 days to 24 hours, it is estimated that the clearing house and computer scheme could save broking firms up to a million Singapore dollars a month each in overheads.

Anthony Rowley

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Mid-day loss of 4 on profit-taking

BY OUR WALL STREET CORRESPONDENT

NEW YORK, April 11.

AFTER THE rally of the past five trading days, Wall Street plotted an easier course this morning in an active business.

The Dow Jones Industrial Average recorded a reaction of 4.33 at 769.32 at mid-day, while the NYSE All Common Index slipped 18 cents to $50.40 and *declines outpaced gains* by a seven-to-five margin. Trading volume amounted to 16.30m. shares at noon.

Closing prices and market reports were not available for this edition.

Analysts attributed the decline to profit-taking and also investor caution awaiting what President Carter proposes to do about inflation and dollar weakness in his message later to-day.

Cutler-Hammer, a possible take-over target, topped the Big Board activities and rose 2¼ to $41¼. Kopper and Tyco Laboratories both purchased stock in the company.

Emery Air Freight, on a 100 per cent. stock dividend, picked up ¼ to $39½. RCA, however, were down ¼ at $25 despite higher first-quarter earnings and a prediction of another record year.

Oil Service stocks were lower on analysts' bearish comments about the sector. Schlumberger fell 1¼ to $66½, Halliburton ¾ to $55¼, and Hughes Tool ⅝ to $28⅞.

Beech Aircraft added ¼ at $39¼ *on higher second-quarter earnings*, a dividend increase and a three-for-two stock split.

THE AMERICAN SE Market Value Index was 0.07 firmer at 132.34 at noon after volume of 2.18m. shares.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Sony	1,047,100	9	+⅛
Inter. Tel. & Tel.	258,500	29¼	−¼
J. Ray McDermott	250,300	27¼	+⅞
Occidental Petrlm.	246,600	21¼	—
Marshall Field	219,700	22½	−1½
Kennecott Copper	184,800	27¼	−⅜
Continental Oil	177,700	26	−¼
Utd. Technologies	171,500	37	+⅛
Westinghouse Elec.	170,200	18⅜	+⅛
Royal Dutch	164,300	58¼	−⅛

OTHER MARKETS

Canada below best

A fresh initial gain on Canadian Stock Markets yesterday was partially lost by mid-session. The Toronto Composite Index, up nearly two points at the start, was just a net 0.1 harder at 1,082.0 at noon. Banks, however, retained a gain of 1.46 at 256.27, while Utilities registered a rise of 0.36 at 165.47.

Imperial Oil "A" were up ⅜ at $20½ — Imperial's Esso Minerals Canada said that it has found uranium, nickel and silver in Saskatchewan.

PARIS—After Monday's reaction on profit taking, market *displayed* a firmer tendency yesterday, underpinned by the latest employers' Federation study showing a better business climate.

However, some irregular points were Banks and investment companies, while Foods generally eased.

Electricals were the firmest sector, with CGE, CIT-Alcatel, LMT and Thomson notably higher. *Elsewhere, Creusot-Loire, Esso* and Petroles BP were also strong.

BRUSSELS — The hardening trend continued in quiet trading.

Asturienne, Union Miniere, Vieille Montagne, Cockerill, UCB Fmoutremer and *Electrobel*, all made headway, but Wagons-Lits, Gevaert and Mosane were easier.

Solvay, despite *sharply lower* 1977 group net profits, put on 5 to B.Frs.2,500. Sofina, on higher annual net profits, gained 15 at B.Frs.3,300.

AMSTERDAM—Prices remained in firm vein, although Dutch Internationals had dull spots in Royal Dutch, down Fl.0.90, and Unilever, Fl.0.70 easier.

Banking shares were led higher by ABN, up Fls.2.00. Transports were mixed, with KNSM and KLM higher but NedLloyd and Van Ommeren lower.

State loans were slightly easier in quiet trading.

GERMANY—Fairly lively early trading petered out through a *lack of follow-up orders and stock* prices finished softer for choice on balance.

Interest centred on Volkswagen, which lost DM3.50, probably due to continuing disappointment over its dividend payment *for 1977.* Elsewhere in Motors, BMW declined DM4, while Mercedes and Daimler were *marginally easier.*

Siemens shed DM2.70 in Electricals, while leading Banks, Chemicals and Engineerings were mixed.

Public Authority Bonds recorded *losses* extending to 25 pfennigs on a strong level of offers, prompted in part by the recent Federal Loan issue. The Regulating Authorities bought a nominal DM7.9m. of paper after making no net intervention on Monday. Mark Foreign Loans were irregular.

SWITZERLAND—Mostly weaker in continued light activity, although selling pressure increased during the session as investors reduced their positions in a market lacking buying interest.

Union Bank fell 95 to Sw.Frs.2,930 on sustained selling, while among mainly steady Financials, Oerlikon Buehrle Bearer, after the recent gain, came back 15 to Sw.Frs.2,165.

In Industrials, Nestle receded 75 more to Sw.Frs.3,200 and Ciba Giegy were 40 cheaper at Sw.Frs.1,145.

Domestic Bonds slightly higher, while Foreign Bonds were quietly steady.

MILAN—Stocks were mixed with a lower bias, after slow trading.

Snia Viscosa, Montedison, Montefibre and Bastogi gained ground on short-covering after recent weakness. *However, Pirelli* declined 40 to L2,010.

SPAIN—Market started the week *on a much brighter* note, prices mainly rallying to leave the General Index 1.01 higher at 91.76. Petroleos advanced 5.50 points to 163 and Banco Popular 8 to 215.

JOHANNESBURG—Gold shares rallied in response to an improvement in Bullion prices. Trading, however, was slack ahead of the British Budget and President Carter's anti-inflation speech.

Financial Minings were mixed, while other Metals and Minerals closed quietly firmer.

HONG KONG—After initial firmness, market lost ground on selling towards the close to finish on a mixed note.

Jardine Matheson ended 10 cents down at $HK13.00 on local *selling after the results*, while Hutchison Boag, also following results, retreated 12 cents to $HK1.88. *Hutchison Whampoa* shed 2.5 cents to $HK4.40 ahead of its figures.

TOKYO—Share prices were often lower, affected by profit-taking in Blue Chips in the absence of fresh market stimulus. The Nikkei-Dow Jones Average declined 15.01 more to 5,449.82. Volume 250m. shares (210m.).

Electricals, reversing the previous day's improvement, had Sony Y60 down at Y1,740. TKD *Electronics* also Y60 off at Y2,040, and Pioneer Y50 weaker at Y1,660.

AUSTRALIA—Industrials were again irregular, while Minings displayed an easier tendency.

BHP shed 2 cents more to $A6.10, but *Costain Australia* improved 5 cents to $A1.35.

In the Mining sector, Central *Norseman lost 20 cents to $A7.80,* while EZ Industries $A2.05, and Bougainville Copper, $A1.05, declined 5 cents apiece. Peko-Wallsend shed 4 cents to $A5.04, but Renison Tin rose another 6 cents to $A5.96 and Queensland Mines put on 5 cents to $A1.85.

Among Oils, Central Pacific advanced 70 cents to $A4.50 and Southern Pacific added 5 cents at $A1.60.

Indices

NEW YORK -DOW JONES

	Apr. 10	Apr. 7	Apr. 6	Apr. 5	Apr. 4	Apr. 3	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	773.65	769.58	765.95	763.08	756.37	751.04	817.74 (3/1)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	89.55	89.55	89.40	89.50	89.49	89.46	90.86 (4/1)	89.55 (28/1)	—	—
Transport	208.80	208.02	206.86	206.27	205.45	205.40	215.77 (3/1)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	105.92	105.95	105.55	105.31	105.04	104.74	110.98 (3/1)	102.84 (22/2)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	25,740	25,160	27,630	27,260	20,150	20,230	—	—	—	—

* Basis of index changed from August 24.

	Apr. 7	Mar. 31	Mar. 24	Year ago (approx.)
Ind. div. yield %	6.06	6.16	6.16	4.61

STANDARD AND POORS

	Apr. 10	Apr. 7	Apr. 6	Apr. 5	Apr. 4	Apr. 3	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	99.54	99.17	98.72	98.56	97.65	97.20	103.22 (3/1)	96.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
Composite	90.49	90.17	89.79	89.64	88.86	88.46	95.82 (3/1)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	Apr. 5	Mar. 29	Mar. 22	Year ago (approx.)
Ind. div. yield %	5.39	5.46	5.46	4.29
Ind. P/E Ratio	8.48	8.48	8.48	10.21
Long Govt. Bond yield	8.32	8.25	8.15	7.75

N.Y.S.E. ALL COMMON

Apr. 10	Apr. 7	Apr. 6	Apr. 5	1978 High	1978 Low
50.58	50.41	50.19	50.09	51.82 (3/1)	49.37 (6/3)

Rises and Falls

	Apr. 10	Apr. 7	Apr. 6
Issues traded	1,836	1,841	1,848
Rises	758	868	819
Falls	636	533	593
Unchanged	469	446	436
New Highs	87	75	69
New Lows	13	11	14

MONTREAL

	Apr. 10	Apr. 7	Apr. 6	Apr. 5	1978 High	1978 Low
Industrial	178.56	177.71	176.91	175.60	178.56 (10/4)	162.90 (16/2)
Combined	184.91	183.91	183.02	181.97	184.91 (10/4)	170.62 (30/1)

TORONTO

	Apr. 10	Apr. 7	Apr. 6	Apr. 5	1978 High	1978 Low
Composite	1081.9	1075.2	1068.9	1064.8	1081.9 (10/4)	998.2 (30/1)

JOHANNESBURG

	Apr. 10	Apr. 7	Apr. 6	Apr. 5	1978 High	1978 Low
Gold	197.4	198.6	199.3	199.8	218.7 (1/2)	186.0 (21/3)
Industrials	205.7	205.6	205.0	204.6	214.4 (4/1)	194.9 (13/3)

	April 11	Previous	1978 High	1978 Low
Australia (§)	459.64	469.73	479.43 (3/1)	441.19 (1/3)
Belgium (¶)	98.55	98.16	98.55 (11/4)	90.43 (12/1)
Denmark**	96.31	96.32	98.15 (9/1)	94.00 (6/2)
France (††)	64.0	63.7	64.6 (7/4)	47.6 (3/2)
Germany (‡‡)	801.1	801.6	812.7 (10/2)	788.2 (4/1)
Holland (§§)	78.5	77.6	82.1 (10/2)	76.0 (4/4)
Hong Kong (¶¶)	449.63	446.80	461.67 (4/4)	383.44 (13/1)
Italy (‖)	59.98	60.06	63.66 (6/3)	50.45 (10/1)
Japan (a)	407.25	408.79	410.52 (5/4)	364.04 (4/1)
Singapore (b)	294.67	296.77	296.77 (10/4)	262.00 (9/1)
Spain (d)	91.76	—	98.90 (10/1)	87.88 (17/3)
Sweden (e)	370.32	372.60	372.50 (10/4)	325.74 (3/1)
Switzerl'd (f)	291.2	295.6	323.7 (14/2)	280.4 (10/3)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. § Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross. div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs: including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

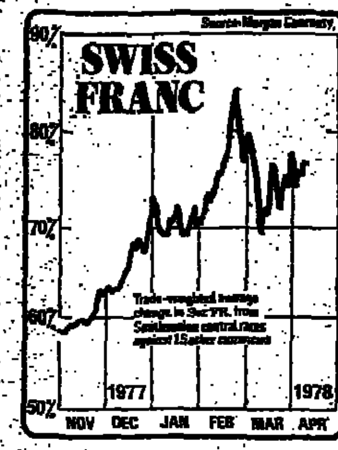
£ firmer

Sterling gained ground against most major currencies in yesterday's foreign exchange market in *response to the U.K. Budget* which was generally well received. The one per cent. increase *in MLR to 7½ per cent.* seemed to prompt the rise and during the afternoon the pound touched a *high point* of $1.8810-1.8820 against the U.S. dollar.

Conditions before the Budget remained very quiet and sterling opened at $1.8755-1.8765 and although closing off the top at *$1.8775-1.8785*, a rise of 15 points, early dealings in New York saw the rate once again above $1.8800. The *pound's* trade weighted index using Bank of England figures opened unchanged at 62.3 before easing to *62.1 at noon. However*, sterling's late improvement bolstered its index to *62.3* at the close.

The U.S. dollar traded quietly ahead of President Carter's statement and finished the day on a slightly firmer note. Against the West German mark it closed at DM2.0130 from DM2.0077½ having been down to DM2.0035 in the early part of the morning, while the Swiss franc finished at Sw.fr.1.8582½ from Sw.Fr.1.8530.

Morgan Guaranty's calculation of the dollar's trade weighted average depreciation, using noon rates, moved slightly to 6.27 per cent. from 6.28 per cent. on Monday. Using Bank of England figures, the dollar's index improved to 88.5 from 88.4. Gold traded quietly finishing $1 an ounce better at $179½-180¼. The krugerrand's premium over its gold content narrowed to 3.40 per cent. from 3.56 per cent. domestically and 3.13 per cent. against 3.28 per cent. in international dealings.



CURRENCY RATES

	Special Drawing Rights April 10	European Unit of Account April 10
Sterling	0.661603	0.675310
U.S. dollar	1.24044	1.26659
Canadian	1.41746	1.44633
Austria sch	17.9523	18.3090
Belgian franc	38.9250	39.7487
Danish krone	6.90057	7.03725
Deutschem'rk	2.49490	2.54614
Dutch guilder	2.66757	2.72272
French franc	5.64090	5.75759
Italian lira	1055.68	1077.53
Japanese yen	273.207	277.750
Norway krone	6.59294	6.73137
Spain peseta	98.7986	100.770
Swedish krone	5.66705	5.78753
Swiss franc	2.30536	2.35234

EXCHANGE CROSS-RATES

April 11	Frankfurt	New York	Paris	Brussels	London	Amst'd'm	Zurich
Frankfurt	—	2.0115-0125	44.20-30	6.412-422	3.772-780	93.63-65	108.25-45
New York *	49.84-87	—	21.99-22.02	3.1900-1960	1.8747-8757	46.65-70	53.90-54.00
Paris	225.76-6.26	4.538-550	—	14.492-526	8.512-532	211.46-95	245.09-59
Brussels	15.57-61	31.31-36	6.88-91	—	58.70-85	14.57-61	15.58-84
London	3.77½-78½	1.8775-8785	8.55½-56½	58.85-95	—	4.05½-04½	3.48½-49½
Amst'dam	106.815-865	2.1457-82	47.255-395	6.8515-8655	4.0255-0305	—	115.90½-965
Zurich	92.227-373	1.8570-8590	40.788-887	6.3218-9298	3.4889-4945	86.452-606	—

U.S. $ in Toronto U.S. $=114.20-24 Canadian cents
Canadian $ in New York=87.54-56 cents. U.S. $ in Milan 850.80-1.00
Sterling in Milan 1595.60-1596.20. *Rates for April 10

EURO-CURRENCY INTEREST RATES*

April 11	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilders	Swiss franc	W. German mark
†Short term	6⅝-6⅞	6¾-7¼	6¾-7	5¼-5½	¼-⅜	3-3⅛
7 days notice	6¾-7¼	6¾-7¼	6⅞-7⅛	5¼-5½	¼-⅜	3-3⅛
Month	7-7⅜	7-7⅝	7-7¼	5-5¼	⅜-⅝	3⅛-3¼
Three months	7⅝-7⅞	7½-8⅛	7¼-7½	4⅞-5⅛	⅝-⅞	3⅜-3⅝
Six months	8¼-8½	8⅛-8⅝	7¾-8	4¾-5	[illegible]	3⅜-3⅝
One year	8⅝-8⅞	8⅜-8⅞	7⅞-8⅛	5⅛-5⅜	[illegible]	3¼-3⅜

Euro-French deposit rates: two-day 8⅛-8⅜ per cent.; seven-day 8¼-8⅝ per cent.; one-month 8⅞-9⅛ per cent.; three-month 8⅞-9⅛ per cent.; six-month 9⅛-9⅜ per cent.; one-year 10-10⅜ per cent.

Long-term Eurodollar deposits: two years 8¼-8½ per cent.; three years 8⅜-8⅝ per cent.; four years 8½-8¾ per cent.; five years 8⅝-8⅞ per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 7.05-7.15 per cent.; three-month 7.20-7.30 per cent.; six-month 7.58-7.68 per cent.; one-year 7.80-7.90 per cent.

*Rates are nominal calling rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars, two days' notice for guilders and Swiss francs.

GOLD MARKET

	April 11	April 10
Gold Bullion (a fine ounce)		
Close	$179½-180¼	$178½-179¼
Opening	$179½-180¼	$178½-179¼
Morning fix'g	$179.65 (£95.721)	$178.70 (£95.256)
Aftern'n fix'g	$179.60 (£95.766)	$178.70 (£95.256)
Gold Coin, domestically		
Krugerrand	$185-187 (£98½-99½)	$184¼-186¼ (£98¼-99¼)
N'w Sov'gns	$55-57 (£29¼-30¼)	$54¾-56¾ (£29½-30½)
Old Sov'rgns	$57-59 (£30¼-31¼)	$56¾-58¾ (£30¼-31¼)
Gold Coins (Internat'lly)		
Krugerrand	$184½-186½ (£98¼-99¼)	$183¾-185¾ (£98-99)
NewSov'rgns	$55-57 (£29¼-30¼)	$54-56 (£28¾-29¾)
Old Sov'rgns	$57-59 (£30¼-31¼)	$56¾-58¾ (£30¼-31¼)
$20 Eagles	$288¼-289¼	$288¼-291¼

FOREIGN EXCHANGES

April 11	Bank Rates %	Market Rates Day's Spread	Market Rates Close
New York	8½	1.8740-1.8820	1.8775-1.8785
Montreal	8½	2.1420-2.1520	2.1445-2.1455
Amsterdam	4½	4.01-4.05	4.03½-4.04½
Brussels	5½	58.80-59.60	58.85-58.95
Copenhagen	9	10.37-10.44	10.43-10.44
Frankfurt	3	3.76-3.80	3.77½-3.78½
Lisbon	13	76.40-77.40	76.80-77.30
Madrid	8	149.20-149.70	149.55-149.65
Milan	11½	1,594-1,600	1,598-1,599
Oslo	6	9.95-9.97	9.95½-9.96½
Paris	9½	8.50-8.57½	8.56½-8.58½
Stockholm	8	8.54½-8.58½	8.57-8.58
Tokyo	3½	408-418	411-413
Vienna	5½	27.10-27.30	27.18-27.28
Zurich	1	3.47½-3.51	3.48½-3.49½

‡ Rates given are for convertible francs. Financial franc 58.95-59.05.

OTHER MARKETS

		Notes	Rates
Argentina	1578-1589	Argentina	1250-1550
Australia	1.6500-1.6465	Austria	28.5-28.8
Brazil	31.27-32.27	Belgium	58-59½
Finland	7.7520-7.8066	Brazil	35-40
Greece	67.395-69.574	Canada	2.14-2.16
Hong Kong	8.64-8.66½	Denmark	10.3-10.5
Iran	130-134	France	8.45-8.60
Kuwait	0.511-0.521	Germany	3.70-3.85
Luxemb'rg	58.85-58.95	Greece	68-72
Malaysia	4.42-4.43½	Italy	1585-1620
N. Zealand	1.8168-1.8358	Japan	410-430
Saudi Arab	6.43-6.53	Netherl'nd	3.95-4.10
Singapore	4.3200-4.3350	Norway	9.80-10.5
S. Africa	1.6177-1.6453	Portugal	72-75
U.S.		Spain	147½-160
Canada		Switz'land	3.40-3.55
C$L		U.S.	1.87-1.89½
U.S. cents	87.52-87.55	Yugoslavia	35½-37

Rate given for Argentina is a free rate.

FORWARD RATES

	One month	Three months
New York	.85 cpm-.05 c. dis	0.20-0.10 c.pm
Montreal	0.05-0.15 c. dis	0.17-0.27 c.dis
Amst'dam	1 c. pm-par	3½-2½ c. pm
Brussels	15-5 c. pm	35-25c. pm
Cop'nhgn.	6½-8½ ore dis	13½-15½ ore dis
Frankfurt	1¾-¾ pf. pm	4½-3½ pf. pm
Lisbon	60-170 c. dis	320-560c. dis
Madrid	par-80 c. dis	120-200c. dis
Milan	4-11 lire dis	17-23 lire dis
Oslo	8-10 ore dis	16½-18½ ore dis
Paris	1-2 c. dis	2½-3½ c. dis
St'ckholm	1½-3½ ore dis	4½-6½ ore dis
Vienna	5gro pm-5gro dis	8gro pm-2gro dis
Zurich	2½-1½ c. pm	6¾-5¾ c. pm

Six-month forward dollar 0.55-0.45c pm; 12-month 1.30-1.10c pm.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—102½% (102¾%)
Effective rate (1.8780) 46¼% (46¾%)

NEW YORK

Stock	April 10	April 7
Abbott Labs	55⅛	54⅞
Corning Glass	47⅝	47⅞
CPC Int'n'tional	45	45⅛
Crane	27⅜	27⅛
Crocker Nat.	26⅛	26⅛
Johns Manville	29⅜	29⅛
Johnson Johnson	67	67⅝
Johnson Control	28⅛	29
Joy Manufactur'g	32¼	32½
Revlon	40	40
Reynolds Metals	28⅜	28½
Reynolds R. J.	57	56¾
Rich'son Merrell	23	22⅝
Woolworth	18⅜	18¼
Wyly	4⅛	3½
Xerox	43⅛	43
Zapata	16½	16

GERMANY ◆

April 11	Price Dm.	+ or −	Div. %	Yld. %
AEG	89	−0.3	—	—
Allianz Versich.	495	+1	18	1.8
BMW	221.5	−4	20	4.5
BASF	138.2	−0.3	17	6.2
Bayer	142.3	−0.6	16	—
Bayer Hypo	269	+0.3	18	3.1
Bayer Vereinsbk	319.7	+1.2	18	2.8

TOKYO ¶

April 11	*Prices Yen	+ or −	Div. %	Yld. %
Asahi Glass	335		14	2.1
Canon	490	+6	12	1.2
Casio	670	−9	25	2.2
Chinon	355	+5	20	2.8
Dai Nippon Print	540	−3	18	1.7
Fuji Photo	562	+6	15	1.3
Hitachi	231	−2	12	2.6

AUSTRALIA

Apr. 11	Aust. $	+ or −
ACMIL (25 cent)	†0.58	+0.02
Acrow Australia	†0.90	—
Allied Mns-Trdg. Indu. $1	†2.20	−0.03
Ampol Exploration	†1.25	−0.01
Ampol Petroleum	†0.76	−0.01
Assoc. Minerals	†0.92	+0.03

BRAZIL

Apr. 11	Price Cruz	+ or −	Div. Cruz	Yld. %
Acesita	1.22	−0.03	0.12	9.84
Banco do Brazil	2.44	−0.03	0.17	6.91
Banco Itau PN	1.15		0.16	13.91
Belgo Mineira OP	1.77	−0.04	0.12	6.78
Lojas Amer. OP	3.05	−0.06	0.20	6.56
Petrobras PP	2.78	−0.10	0.10	3.60
Pirelli OP	2.68	+0.07	0.16	5.97
Souza Cruz OP	4.10		0.23	5.61

CANADA

AMSTERDAM

BRUSSELS/LUXEMBOURG

PARIS

SWITZERLAND

COPENHAGEN ♣

STOCKHOLM

OSLO

JOHANNESBURG

SPAIN ♥

MILAN

VIENNA

FARMING AND RAW MATERIALS

Decline in metal markets

By Our Commodities Editor

THE STRONGER tone of sterling and the rise in the U.K. minimum lending rate encouraged an easier trend in the London Metal Exchange markets yesterday.

Tin led the way down. The cash price fell £117.5 to £5,937.5 a tonne. It rose £260 on Monday.

There was surprise at the opening that the overnight gain in the Penang market was limited to $M27 to $M1,568 a picul.

Profit-taking sales were also encouraged by reports that consumers would firmly oppose producer demand for a rise in the Tin Agreement "floor" and "ceiling" range, and that the U.S. had proposed postponing a decision until after the stockpile release programme for surplus tin sales had been finalised.

Copper opened lower *following* the overnight trend in New York. The market steadied on trade buying and then eased on the stronger tone in sterling.

Lead was held up by some good buying demand, but zinc met renewed selling pressure.

It was reported from Washington that the U.S. Justice Department's anti-trust division said there is no justification for restrictions on zinc imports to the U.S.

The International Trade Commission was urged to reject proposals by domestic zinc producers for higher tarriffs when imports reach specified levels. Such measures would seriously limit domestic and international competition *in slab zinc, and* products made from zinc, the department said.

It will presumably take a similar line when the International Trade Commission considers pleas for restraints on U.S. *copper imports* next month.

Chinese wheat purchase raises U.S. hopes

BY OUR COMMODITIES STAFF

RUMOURS THAT China had bought large quantities of American wheat were partly confirmed yesterday when the U.S. Department of Agriculture said unidentified U.S. merchants sold 600,000 tonnes of wheat to China for delivery in the marketing year beginning on June 1.

The confirmed *total* falls well short of the 6m. tonnes which some traders have suggested China has bought from the U.S. Nevertheless the Chinese purchases are regarded as highly significant as *China* has not turned to the U.S. for wheat supplies since 1974.

Obstacles in the way of U.S./Chinese wheat trade include the fact that the Chinese rejected at least one cargo of U.S. wheat in 1974 because it was contaminated with "smut" disease and the U.S.'s refusal to recognise the *Peking Government.*

Agriculture Department officials played down the political *significance of yesterday's* announcement, however. They said the deal owed more to economic than political considerations. "We were their last resort," one official said. The combination of a bad domestic harvest and short supplies elsewhere is believed to have forced *China to buy U.S. wheat.*

China normally buys wheat from Australia and Canada, but *the U.S. is the only exporter* with substantial supplies available this season.

Further Chinese purchases from the U.S. seem possible. Canadian officials have estimated that the Chinese might need to buy 7m.-10m. tonnes in the coming marketing season.

One U.S. grain industry expert noted yesterday that *China, after* withdrawing from the market earlier this year, had recently sold an estimated *1m. tonnes of* rice for export. "With the high prices for rice, China could be seeking to generate foreign exchange to finance wheat purchases."

Fumigation

The quality-conscious Chinese have not bought any U.S. wheat since 1974 when they refused to accept at least one cargo contaminated with "smut."

U.S. exporters said yesterday China had at least modified and possibly eliminated the contract clause which said wheat could be rejected *on* arrival because of this disease and that the grain had to be certified "free of smut."

Instead, China has apparently *agreed that the exporter should* pay for fumigation at the Chinese port if any problems *develop over smut.*

A U.S. commission house analyst said: "The real significance is the opening of the door, and the potential that lies behind that official move. China usually buys small amuonts at a time."

An exporter said the wheat sale to China—which has the *reputation for being among the* world's toughest negotiators—reportedly was accomplished "with not all that much difficulty. That would tend to indicate that they really need the wheat."

Chicago trade sources said meanwhile they believed China had bought 15,000 tonnes of any origin soyabean oil for the April to mid-May shipment, reports Reuter.

It appears likely the oil will be *of U.S. origin and will be shipped from the U.S. gulf,* though the freight, reportedly, has not yet been booked.

Late last month it was reported that a vessel had been chartered to load 14,700 tonnes of soyabean *oil in mid-April at the U.S. Gulf* for shipment to China.

The two sales of soyabean oil reportedly have been handled by two different export firms, the sources said.

Australian meat workers start strike

BRISBANE, April 11.

THE AUSTRALASIAN Meat Industry Employees Union has called a four-day Australia-wide strike from midnight to-morrow to midnight on Sunday, in protest at the arrest in Western Australia yesterday of union members picketing to prevent the loading of live sheep on to vessels for export to the Middle East.

The strike is expected to close all Australian meatworks.

Workers have been picketing in a campaign to reinforce demands for limits on live sheep exports to protect employment in their industry.

Reuter

Tapioca surplus hits values

BY OUR OWN CORRESPONDENT BANGKOK, April 11.

OVER-PRODUCTION and slack demand in European markets have hit wholesale prices of *tapioca products here. Thai output* this year is expected to reach a record 11.1m. tonnes, but local prices are at their lowest level for four years, reports Reuter.

Tapioca pellets now fetching $U.S.52 a tonne locally were selling for $87 last June.

Traders put most of the blame for the slump on over-production, although a good EEC grain crop was also depressing demand for imported stock feed.

Thalerng Thamrong Nayasayasdi, Under-Secretary for Agriculture, said tapioca cultivation *should be continued* despite the price decline.

He noted that the European Community, the main market for Thai tapioca products, was now importing more from Africa and less from Thailand.

Thalerng suggested that a long-term solution to the problems caused by over-production lay *in using tapioca as a feeding-stuff* domestically. He also said that the area planted with the crop would have to be limited although land improvement would be undertaken to ensure higher yields.

Last year, Thai tapioca exports increased to 3.8m. tonnes valued at $386m. from 3.7m. tonnes valued at $376m. the previous year.

Tapioca was the country's second most important foreign exchange earner last year, after rice exports worth $71.7m. A *report from* the Thai Tapioca Trade Association shows the area planted to tapioca during the 1977-78 season has been increased to 2m. acres from 1.8m. during the previous season.

World sugar prices up

WORLD SUGAR prices advanced firmly on the London terminal market yesterday. The London daily price for raw sugar was *raised £2 to £102 a tonne. On* the futures market the August position gained nearly £3 to close at £110.45 a tonne.

The market opened firm following an overnight rise in New York. That was sustained in later trading by some trade buying interest.

New York's higher trend recently is attributed to expectations that the introduction of stronger import controls will encourage U.S. refiners to replenish their stocks by stepping up purchases.

Meanwhile sugar statistician F. O. Licht yesterday trimmed his second estimate of European sugar beet plantings this year to 7.83m. hectares. This compares with his first estimate of 7.91m. hectares, but is above last year's figure of 7.80m. hectares. The forecast was in line with market expectations.

Producers keep coffee export ban

By Richard Mooney

CENTRAL AMERICAN "other milds" coffee producers meeting in San Jose, Costa Rica, have decided to continue their ban on exports in a sustained attempt to reverse the recent downward trend in prices.

This announcement came as a surprise to coffee traders in consumer countries. They expected the producers to scale down their price support policy. On the London market the July futures price ended *the day £62.5 higher* at £1,397 a tonne.

The original decision to suspend sales was taken on March 10 in San Salvador. The signatories then said the suspension would remain in force until prices reached "reasonable levels."

Sr. Ricardo Fall Caceres, director of Compania Salvadorena del Cafe, said yesterday: "Present prices do not reflect the supply and demand situation." *He is president of the committee which will* decide when "reasonable price levels" are reached.

Sharp rise in cocoa

By Our Commodities Staff

COCOA PRICES moved up sharply on the London futures market yesterday, shrugging off an overnight fall in New York which was expected to bring a £20 fall in London. By the close July delivery cocoa was quoted £92.5 higher on the day at £2,008 a tonne.

This week's rise has been in defiance of a generally bearish trend in fundamental news with the U.S. and Holland both announcing sharp falls in consumption. The Dutch figures, announced yesterday, took March grindings to 11,830 against 12,380 in the same month last year, down 4.4 per cent.—more sharply than in January and February.

Additional bearish news has come from Brazil, where improved weather has helped prospects for a large temporao crop.

But the fundamental situation appears to have been *largely* ignored in the market in view of evidence of coming tightness in *short term physical availability.*

Political unrest in Ghana has led to shipment delays which threaten to create problems for some European traders. The situation has been aggravated by reports that an Ivory Coast shipper is in difficulty because of the poor quality of the crop there.

BRAZILIAN CATTLE

Ecological disaster threatens Amazon

BY SUE BRANFORD, RECENTLY IN PARA

BUSH INVASION, fungus and soil leaching—these are the sad results of eight years' activity on some of the first, huge cattle ranches that have been set up in the Amazon region of Brazil.

One of these farms has been up for sale, in vain, for more than a year and a big question mark hangs over the future of the other 200 enormous ranches that are being formed at the moment. Does ecological disaster *await them too?*

The desolate landscape on these older ranches, with their parched, brittle soil and stunted, scorched growth, makes a pitiful contrast with the exuberant, green vegetation in the untouched parts of the *tropical* forest.

The Brazilian Government's earlier dream *of effortlessly transforming the Amazon jungle* into vast, lush pasturelands to supply the world market with large quantities of high-quality *beef now looks like cloud-cuckoo* land, as ecologists at the time warned.

Ranches

Very little has been published in the Brazilian Press on these disturbing results, which a British grass expert has confidentially described as "a skeleton in the cupboard" for the present government. However, *it is clear that, if* the Amazon jungle is not to be completely destroyed, the lessons of these first tough experiences must be widely divulged.

The main underlying cause of the problems has been the complete disregard shown by farmers of environmental considerations. The manager of one *of the largest ranches,* owned by a multi-national company, commented: "Ecology is a new-*fangled profession* that was invented recently. It hasn't got anything to teach us."

This lack of interest in protecting the land historically has occurred throughout the process of pushing back Brazil's agricultural frontier. Because of the country's vast stretches of unoccupied, usable land, it has always been cheaper *for* the farmer to move on to another plot of virgin land, rather than worry about soil fertility levels.

Although this system of land occupation has made economic sense for the individual farmer, the country could pay a heavy price in the future for the extensive *damage to the land that* has been caused in exchange for preposterously small, short-term gains.

An Australian soil expert, brought up in much harsher climatic conditions, aptly commented: "Brazil's problem is that it is just too darn rich in well-watered land."

The damage caused by this type of occupation is much more serious in the Amazon because of the very peculiar characteristics of the complex tropical forest, which contains 500 to 600 different species of flora.

The riotous jungle is the result of a delicate and complex interchange in which limited amounts *of nutrients, predominantly* held in the biomass not in the soil, are recycled within the ecosystem. When the vegetation is destroyed, *this delicate* balance is destroyed.

With the planting of grass, the cattle farmers are imposing a *much simpler ecosystem, with* four or five species, all rooted in the soil. Unless very great care is taken, this big transformation has a brutal impact. Once the residual nutrition is absorbed, the acidic, lateritic *soils, which dominate in the* Amazon, cannot stand up to the long hours of exposure to the scorching sun and to the torrential rains. They become hard, brittle and unfertile.

Jungle

Despite these risks, the cattle companies *have been clearing* the land in the traditional slash-and-burn method. The towering trees are frequently toppled by a 100-metre chain, pulled by two huge imported Komatsu tractors. Vast jungle fires are created in August and September to burn away the dead vegetation. One of these fires was picked up by *a Landsat satellite in 1975,* bringing about vehement protests in the U.S. that the jungle was being destroyed on a large-scale.

The cleared jungle is then sown with guinea grass, generally by planes. During the first two or three years, the grass grows impressively, sprouting by as much as an inch a day during *the rainy season.* However, from the fifth year onwards, fertility levels fall off drastically, with problems of bush invasion, fungus, poisonous plants and soil leaching.

No-one quite knows how to halt this process. Some palliative measures can be taken, such as fertilising with phosphorous chemicals, or planting legumes to enrich the soil with nitrogen captured from the air. Susanne Hecht, a U.S. agronomist, pointed out that the forest itself possesses large quantities of native *legumes.*

Rather than importing alien legumes, she believes that advantage must be taken of these domestic legumes, with a selective manual cut of the vegetation, instead of blanket destruc*tion.*

Invasion

Another procedure, *that* farmers are *adopting* on a large scale, may prove counter-productive. An Australian agronomist has called "tragic" the spraying of the land by plane with Tordon, a diluted form of *defoliant* imported from the U.S. to control bush invasion. He pointed out that, the *defoliant destroys all broad*-leaved plants, including legumes, as well as some but not all invaders.

Due to Tordon's residual effects, this practice could "set back the use of improved legume-grass pastures for *20* years or more," he believes.

Although there is no public *discussion of these problems,* the Brazilian Government is giving indications of growing concern. All the large cattle projects are set up in the region under the supervision of SUDAM (Amazon Development *Agency), which has provided the* ranches with £90m. in tax rebates since 1966.

In the early days, SUDAM approved projects in an indiscriminate fashion, authorising 69 new ranches in 1969, for example. In contrast, only two new projects were approved last year and SUDAM is demanding the reformulation of existing projects on a sounder technical basis before releasing *further funds.*

While this new rigour is clearly beneficial, it is doubtful whether *on its own* it is sufficient to ensure the ecological survival of the Amazon region.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Easier on the London Metal Exchange with forward metal moving down initially from £718 to £712 on profit-taking following the fall on Comex overnight. There was some trade buying and the market steadied at £713-£714 before [illegible] ... afternoon as other metals moved down and as sterling strengthened. The close on the Kerb was £5,985. Turnover 1,305 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
[illegible]				

Morning: Cash £314.5, 14.25, three months £316, 17, 18, 18.5, 19, 19.25. Kerb: Three months £319.5, 20, 20.5. Afternoon: Three months £319, 18, 19, 18.5, 19. Kerb: Three months £319.

ZINC—Slightly easier on balance. Forward metal lost ground initially from £314-£315 to £312 but influential buying [illegible]

... 210.00-208.50; June 188.75-187.00, +5.90, 187.00-183.00; Aug. 172.50-175.50, +5.97, untraded; Oct. 159.00-160.00, +5.87, untraded; Dec. 146.00-149.00, +6.12, untraded; Feb. 143.00-145.00, +6.75, untraded; April 138.00-145.00, +7.00; untraded. Sales: 28 (11) lots of 17,250 kilos.

RUBBER

[illegible]

SILVER

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

LONDON DAILY PRICE for raw sugar £102.00 (100.00) a tonne cif for April-May shipment. White sugar daily price was fixed at £104.50 (£103.00).

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

... Barlinka 5.00; Chilean: Thompson Seedless 5 kilos 4.90. Plums—S. African: Golden King/Soncold per pound 0.45-0.48. Bananas—Jamaican: Per pound 0.16-0.17. Melons—Chilean: White 4.50, Green 5.50; Colombian: Green 3.00. Avocados—Israeli: Hass 16/24's 3.70; S. African: Fuerte 4.50-4.80. Strawberries—Israeli: 0.40; Spanish: 0.30-0.40. Lettuce—Dutch: [illegible]

... dock £2.70-£3.20, large plaice £3.30-£3.50, medium plaice £3.30-£3.50, best small plaice £3.30-£3.70, skinned dogfish (large) £9.00 (medium) £7.50, reds £1.70-£2.10, saithe £1.80-£2.20.

★

COTTON, Liverpool—Spot and shipment sales amounted to 854 tonnes, bringing the total for the week so far to 1,198 tonnes. More enterprise was evident among users and further operations occurred in Turkish and Russian qualities, F. W. Tattersall reports. Support came in several African varieties.

CORAL INDEX: Close 462-467

INSURANCE BASE RATES

† Property Growth 8%
† Vanbrugh Guaranteed 7.50%
† Address shown under Insurance and Property Bond Table.

Philippine copra exports fall

MANILA, April 11.

PHILIPPINE COPRA exports fell sharply to 14,760 tons in March from 45,248 in February and 37,725 in March last year, Philippine Coconut Authority figures show.

Copra *exports* in the first quarter of this year fell to 98,317 tons from 118,875 in the same period last year.

Lower copra shipments in March were due to traders holding back exports in anticipation of *higher prices, industry* sources said.

Crude coconut exports rose in March to 90,716 tons from 55,208 in February and 68,191 in March 1977.

In first quarter of 1978 coconut exports totalled *216,495 tons* against 155,310 in the same 1977 quarter.

Reuter

Malaysia buys Chinese rice

KUALA LUMPUR, April 11.

Malaysia has bought 200,000 tonnes of rice from China for *delivery this year* to help overcome the shortfall in its own crops caused by drought in major *producing areas.*

Mr. Yang Amri, acting director-general of the National Rice and Padi Board, said a first purchase of 100,000 tonnes reported last month was followed by a Chinese offer of a further 100,000, which Malaysia accepted.

The country has also bought 150,000 tonnes from Thailand and 10,000 tonnes from the Philippines and has been negotiating with those two countries and Burma for further supplies, other Government officials said.

Reuter

PRICE CHANGES

Prices per tonne unless otherwise stated.

	April 11 1978	+ or —	Month ago
Metals			
Aluminium	£680	....	£680
Free market (cif)	$950-80	....	[illegible]
Copper cash W. Bars	£699.5	—9.75	£656.5
3 months do. do.	£715.75	—9.5	£670.25
Cash Cathode	£691	—8.0	£646.25
3 months do. do.	£706.5	—7.75	£660
Gold Troy oz.	$178.875	+1.0	$187.875
Lead Cash	£313.5	—2.0	£307.75
3 months	£319.25	—0.75	£311.25
Nickel			
Free Market (cif)	$1.93 -2.03	....	$1.89 —2.04
Platinum troy oz.	£117.50	....	£114.5
Free Market	£117.65	+1.4	£123
Quicksilver (76lb.)	$130/35	....	$125-30
Silver troy oz.	281.2p	+1.1	287.9p
3 months	286.1p	+1.1	293.1p
Tin Cash	£5,937.5	—117.5	£6,025
3 months	[illegible]	—110.0	£5,987.5
Wolfram 22.04lb cif	$144-49	......	$150-55
Zinc cash	£308.5	—1.5	£262.75
3 months	£314.5	—1.25	£263.5
Producers	$650	....	[illegible]
Oils			
Coconut (Phil)	$609x	....	$680
Groundnut	$722	—10.0	£647
Linseed Crude (z)	$525	....	$310
Palm Malayan	$575x	+12.0	$610
Seeds			
Copra Philip	$595r	+5.0	$455
Soyabean (U.S.)	[illegible]	+6.3	$281
Grains			
Barley EEC			
Home Futures	£80.4	—0.5	£73.0
Maize			
French No. 3 Am	£105.75	....	£100
Wheat			
No. 1 Red Spring	£95.25y	+0.25	£88.5
No2 Hard Winter		....	
English Milling	£97.5	....	£96.5
Cocoa shipment	£2,129	+38.0	£1,993
Future July	£2,008	+92.5	£1,897.2
Coffee Future July	£1,697	+62.5	£1,478
Cotton 'A' Index	69.05c	....	67.9c
Rubber kilo	47p	....	49p
Sugar (Raw)	£102	+2.0	£94
Wooltops 64s kilo	274p	....	272p

*Nominal. ‡ Unquoted. s May-June. u June. v April-June. y April-May. z May. x Per ton.

FINANCIAL TIMES

Apr. 11	Apr. 10	Month ago	Year ago
239.88	239.44	235.94	281.25

(Base: July 1, 1952=100)

REUTER'S

April 11	April 10	Month ago	Year ago
1442.6	1436.2	1391.2	1741.0

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	April 11	April 10	Month ago	Year ago
Spot	364.65	361.93	359.95	440.27
Futures	355.36	352.12	345.74	427.10

(Average 1924-25-26=100)

MOODY'S

Moody's	April 11	April 10	Month ago	Year ago
Spe Commty	906.5	910.3	905.4	[illegible]

(December 31, 1931=100)

ALUMINIUM STOCKS

Stocks held by members of the International Primary Aluminium Institute at the end of February totalled 2.58m. tonnes, unchanged from a month earlier but 176,000 tonnes more than at the end of February last year.

Members reported total stocks of 4.42m. tonnes against 4.44m. tonnes at the end of January and 4.20m. tonnes at the end of February last year.

Reuter

U.S. Markets

Cocoa and coffee rise continues

NEW YORK, April 11.

COCOA *closed limit-up bid on trade buying* after reports of an inferior Ivory Coast crop. Coffee closed limit-up bid on producer cuts in Central and South America. Precious *Metals closed firm on* Commission House and local buying after a lack of fresh initiatives by President Carter in the fight against inflation.

Cocoa—May 162.70 (156.70), July 158.75 (152.75), Sept. 155.65, Dec. 150.25, March 146.20, May 143.50, July 141.10. Sales: 432 lots.

Coffee—"C" *Contract:* May 179.87-180.00 (173.75), July 158.34 bid (154.34), Sept. 139.63 bid, Dec. 126.67 bid, March 120.50 bid, May 116.00 bid, July 116.00-119.00, Sept. 113.00-120.00. Sales: 525 lots.

Copper—April 61.10 (61.50), May 61.40 (61.50), June 62.00, July 62.50, Sept. 63.50, Dec. 65.00, Jan. 65.50, March 66.50, May 67.50, July 68.50, Sept. 69.50, Dec. 71.00, Jan. 71.50. Sales: 4,000 lots.

Cotton—No. 2: May 55.60-55.75 (56.20), July 56.90-56.98 (57.63), Oct. 58.80, Dec. 59.54-59.90, March 61.15, May 61.60-61.75, July 62.00-62.25. Sales: 335,000 lots.

*Gold—April 180.20 (178.70), May 181.00 (179.50), June 182.00, Aug. 184.40, Oct. 186.90, Dec. 189.50, Feb. 192.10, April 194.90, June 197.90, Aug. 200.70, Oct. 203.70, Dec. 206.70, Feb. 209.70. Sales: 5,000 lots.

†Lard—Chicago loose 24.00 (same). New York prime steam 25.50 asked (25.88 asked).

‡Maize—May 264¼-263¾ (263¾), July 262-261¼ (263), Sept. 259¼-259, Dec. 259¼-259, March 267, May 269¼.

§Platinum—April 219.50-221.00 (215.40), July 224.00-225.00 (219.70), Oct. 228.60-228.50, Jan. 232.60-232.50, April 236.90-237.10, July 240.00.

§Silver—April 532.50 (524.10), May 534.50 (526.40), June 538.40, July 542.30, Sept. 550.30, Dec. [illegible]

[illegible]

STOCK EXCHANGE REPORT

Small improvement in response to Budget proposals

Share index up 7.1 at 470.4—Glaxo rally

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Apr. 3	Apr. 13	Apr. 14	Apr. 25
Apr. 17	Apr. 27	Apr. 28	May 10
May 2	May 11	May 12	May 23

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

First interpretations of the Chancellor's *Budget proposals* were sufficient to give equity markets a small boost in the after-hours' dealings yesterday. However, the late improvement resulted mainly from a mark up and the majority of leaders were rarely tested at the slightly enhanced levels.

Prior to the Budget statement, trade in the equity leaders had been very slow—but prices edged a little higher on the odd buying order and by 3 p.m. the FT 30-share index was showing a gain of 2.8. The extent of the late advance was reflected in the index which closed 7.1 higher on the day at 470.4. In contrast, British Funds gave a little ground with long-dated stocks recording losses to half a point and short-dated issues falls ranging to ⅜. The Government securities index lost 0.32 more to 73.60. No dealings took place in gilt-edged after the Budget, but the increase of 1 per cent. to 7½ per cent. in Minimum Lending Rate came as no surprise to the market.

Overall, trading conditions were again very slow—official markings of 4,244 compared with 4,662 on Monday—and the day's interest centred chiefly on possible bid *candidates*. Among the sectors, Brewery and Distillery shares were given a *late fillip* in the absence of *any* increase in excise duties, while Tobaccos were undeterred by the increase in tax on high tar cigarettes. The FT-Actuaries indices for Breweries and Wines and Spirits rose 2.8 per cent. to 227.35 and 3.4 per cent. to 256.39 respectively. Rises led falls by 5—2 in FT-quoted Industrials.

Gilt-edged remained unsettled awaiting the Budget proposals and further light selling from holders nervous of a too generous hand-out took ½ off many high-*coupn longer maturities and as* much as ⅝ from selected shorts. Business ceased at 3.30 p.m. and was not resumed after the Chancellor had completed his speech which, at first glance, contained few unpalatable measures—the point rise in Minimum Lending Rate to 7½ per cent. was always a *possibility* and the £2.5bn. stimulus was near to many predictions. Thus, with the recent uncertainty removed, the market was expected to enter a period of short-term stability with the emphasis returning to the yield structure, particularly at the longer end where the returns are above 12 per cent. in selected issues. Corporations experienced a similar trade and sustained losses extending to ½.

German Young 4½ per cent. were again favoured in Foreign Bonds and rose 25 points more to £400.

Interest was light both before and after the Chancellor's Budget speech, which contained little to concern the investment currency market, and the premium hovered between 102 and 103 per cent. prior to closing a net ¼ lower at 102¼ per cent. Yesterday's SE conversion factor was 0.6829 (0.6939).

Lelie & Godwin bid

Lloyds Brokers provided the main interest in Insurances. Dealings in **Leslie and Godwin**, 93p, were surprisingly suspended at the start of business prior to the disclosure that the group had received a bid approach from Frank B. Hall, one of the largest U.S. general insurance brokerage *concerns*. **Matthews Wrightson** closed 5 easier at 185p ahead of Friday's preliminary figures, while **Sedgwick Forbes** shed 7 to 378p and **C. T. Bowring** 2 to 105p. Elsewhere, **Guardian Royal Exchange** softened 2 to 220p in front of to-day's annual results but **Hambro Life**, which report on Friday, hardened 3 to 300p.

With the exception of **Barclays**, which closed a few pence harder at 345p, the major clearers remained at their overnight levels. Reflecting the chairman's optimistic statement, **Allen Harvey and Ross** gained 10 to 450p in a *thin market among Discounts*. **UDT** edged forward 2 to 39p in the late trade in Hire Purchases.

Breweries improved in late active trade on relief that excise duty rates had not been raised in the Budget. **Allied** hardened 3 to 89p as did **A. Guinness**, to 177p, while **Bass Charrington** closed 5 higher at 158p. **Scottish and Newcastle** were also supported at 66½p, up 2½. Distilleries also took a turn for the better in after-hours' trading. **Distillers** led the way with a rise of 6 to 181p, while **Highland** improved 3 to 142p and **A. Bell** 10 to 238p.

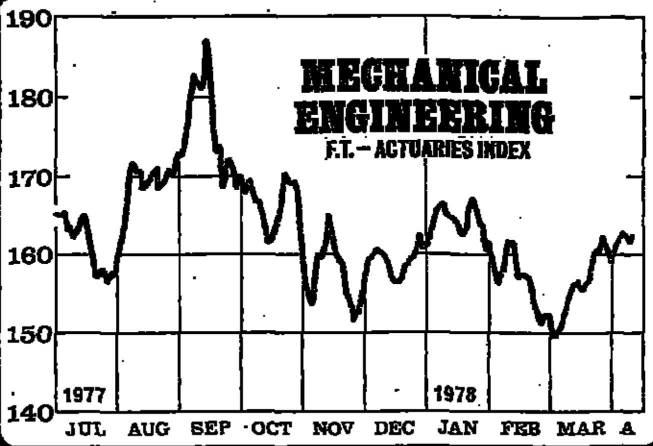
Buildings, subdued in front of the Budget proposals, ended with scattered improvements. **AP Cement** added a couple of pence to 244p after 241p, and **London Brick** firmed a similar amount to 68p. Contracting and Construction issues had no decided trend: **Richard Costain** put on 2 to 254p, but **Taylor Woodrow** eased 6 to 358p and **Marchwiel** 4 to 284p. Selected secondary issues to attract speculative interest included **J. W. Henderson**, which rose 10 to 154p, and **Heywood Williams**, 4 better at 80p. Small buying lifted **Ibstock Johnsen** 3 to 148p, while renewed support had **Brown and Jackson** 2 better at 65p. **Crossley** added a penny more to 65p in further response to the expected improvement in trading conditions in the current year, but **Fairclough** remained unmoved at 67p following the chairman's optimistic assessment of growth prospects.

Initially slightly easier at 351p, **ICI** rallied late to close 2 better on balance at 35p. Elsewhere, **Albright and Wilson** firmed 2 to 111p, and Press comment prompted a marginal improvement in **Crystalate** to 24p.

Narrowly mixed at the House close, leading Stores edged forward later following details of the Budget proposals. **Mothercare** led the way with a gain of 6 to 160p. **Woolworth** improved 2½ to 67½p and similar rises were recorded in **UDS**, 88p, **Burton "A,"** 119p, **Combined English**, 87p, and *Gussies "A," 288p*. **Marks and Spencer** rallied from 146p to finish a penny harder on balance at 148p. Elsewhere, **Ratners**, still on bid hopes, put on 3 more to 110p, and fellow-jewellery concern **H. Samuel "A"** at 266p, recorded a Press-inspired improvement of 4. Among Shoes, **K** were marked up 2 to 53p in response to an investment recommendation.

Little of interest occurred in the Electrical sector. In common with the other leaders, **GEC** 246p, and **EMI**, 157p, both improved a few pence. Elsewhere, buying activity *revived in* **F. W. Thorpe**, *up 3 at a* fresh 1978 peak of 67p. Electronic issues to make a little headway included **Farnell**, 4 firmer at 224p, and **Highland**, a penny dearer at 25p. **BICC** improved 2 to 113p, but **Decca** issues were dull, the Ordinary and "A" both easing 5 to 415p and 405p respectively.

Following the general trend, leading Engineering were edging higher late and **John Brown** settled 4 dearer at a fresh 1978 high of 304p, while **GKN**, 281p, **Hawker**, 198p, and **Tube Investments**, 364p, all closed a couple of pence better; earlier, a drifting tendency had been *discernible*. Elsewhere in the sector, **Peter Brotherhood** stood out with a rise of 14 to 149p on revived bid speculation in a thin market—the interim results are due on April 18. Speculative enthusiasm was also a factor again in **ML Holdings**, up 5 more at 107p. Awaiting their respective preliminary statements to-day, **Glynwed** gained 2 to 113p and **Babcock and Wilcox** hardened a penny to 116p. **Davy International** improved 3 further late to 230p and similar rises were seen in **Eva Industries**, 91p, **Christy Bros.**, 48p, and **Chemring**, 57p. **Imperial Metal Industries**, at 60½p, were little affected by the chairman's comments at yesterday's annual meeting, while **Senior** remained at 22¼p despite the increased profits. **T. W. Ward** continued in demand at 67p, up 2, and **600 Group** were prominent at 77p *for an advance of 3*. Still reflecting the note of caution about second-half prospects, **Burgess Products** slipped 2 to 38p.



Associated Biscuit figured prominently in Foods, jumping 8 to 82p *following Press comment* on the preliminary figures. **Rowntree Mackintosh**, results due Thursday, *rose* 5 to 398p for a two-day gain of 13, while **Spillers**, a dull market of late on the trading statement which accompanied news of the company's withdrawal from the baking industry, recovered a penny at 27½p. **Associated British Foods**, which together with **RHM** is buying some of the Spillers' bakeries, moved up 3 to 64p. Press comment on the likelihood of further rationalisation *in* the retailing sector on news of the agreed merger plans of **Wheatsheaf Distribution** and **Linfood** had little effect on the companies concerned. **Wheatsheaf** held at 190p, while **Linfood** rallied to 132p. **Tesco** finished 1½ harder at 42p and **J. Sainsbury** 2 better at 177p. **Nurdin and Peacock**, however, fell 2 to 85p.

Hotels closed firmly, helped by the *Budget proposals* for increased Government grants towards the construction and development of hotel accommodation. **Grand Metropolitan** ended 3 up at 108p and **Trust Houses Forte** 5 higher at 200p. After having touched 69p, **Savoy A** closed without alteration at 71p.

Glaxo rally

Dealers' first assessment of the Budget was favourable and miscellaneous Industrial leaders were marked up late. **Glaxo**, which had already rallied 10 following comment on the interim figures, improved further to finish 13 higher on the day at 528p, while **Beecham**, at 650p, recorded a sympathetic improvement of 10. **Unilever** ended 6 to the good at 518p and **Boots** closed 2 up at 216p as did **Bowater**, at 189p. Still reflecting Lonrho's decision to relay its bid direct to shareholders, **Scottish and Universal Investments** hardened 2 *more to 120p*; with **Lonrho** closing a penny better at 71p, the bid for "SUITS" is currently worth *around 130p per share*. Elsewhere, **Letraset** stood out with a fresh speculative rise of 8 to 159p, after 160p, on continuing bid hopes while **Johnson Group Cleaners**, also on hopes of a bid, gained 7 to 95p [illegible] 96p, despite a denial fr[illegible] chairman. **Huntleigh**, whic[illegible] lower *annual earnings* [illegible] *Monday*, gained 8 to 94p on r[illegible]ery hopes, while **Chamberlain Group** edged forward 2 to 50p on further consideration of the record profits. Speculative buying prompted an improvement of 3 to 39p in **L.K. Industrial Investments**. Dealings were resumed in **Miln Marsters** *following overnight details of the* 200p per share offer from Hilleshog AB; the shares returned at 203p compared with the suspension price of 163p and closed at 202p. **G.W. Sparrow**, on the other hand, chaepened 6 to 104p in reaction to the disappointing annual results and **Smith Industries** *receded a penny to 157p*, after 154p, following the lower first-half profits. **Robert McBride** relinquished 10 *to* 370p in a thin market and **BTR** declined 6 to 251p.

Still reflecting the recently improved sales performance, *British* **Leyland** rose 5 to 29p for a two-day gain of 7; details of the proposed rights issue at 50p per share were announced yesterday. **Dunlop** closed 3 up at 86p, while **Lucas Industries**, 290p, and **Dowty**, 180p, put on 2 apiece. **Wilmot-Breeden** were slightly firmer at 65p in front of to-day's pre*liminary figures*, while renewed support lifted **Nelson David** a penny more to 9½p and **Lookers** 3½ to 60p. **Lyon and Lyon** finished a penny cheaper at 77p following the results.

Newspapers and kindred trades closed with scattered improvements. **Brunning Group** hardened 2 to 67p as did *United, to 350p*.

Property issues passed another quiet session and drifted lower ahead of the Budget. A slight improvement in places after the close still left the majority with modest falls in reflection of the 1 per cent. hoist in Minimum Lending Rate. **Chesterfield**, 295p, and **Bradford**, 213p, both finished 5 lower as did **Property Holding and Investment**, 313p, while **Hammerson A**, 548p, eased around 8. Elsewhere, **Bellway Holdings** fell 6 to 60p on selling accompanying talk that rumoured bid discussions had been called off.

Oils passed another quiet session and closed with modest improvements. **Shell** firmed 2 to 520p, but **British Petroleum** remained at their pre-Budget level of 760p. **Lasmo** *edged forward to 144p*, while **Ultramar** added 3 to 228p and **Tricentrol** hardened 2 to 158p. Investment dollar premium influences clipped ¼ from **Royal Dutch** at £45¼. **Sceptre Resources** rose 50 to 578p.

International Pacific Securities stood out in otherwise little-changed Investment Trusts with a rise of 10 to a 1978 peak of 165p.

Shippings hovered around the overnight levels. **James Fisher**, which reports preliminary figures to-morrow, put on 3 more to 148p for a two-day gain of 11.

Sirdar returned to favour in Textiles on revived bid speculation and rose 6 to 67p. **Courtaulds** finished 2 better at 116p, while small buying lifted **Tricoville** 4 to 62p.

News of the imposition of a health tax on high tar cigarettes made little impact on the Tobacco *majors which closed firmly*. **Imps** finished 3 better at 77p and **BAT Industries Deferred** 4 higher at 262p.

Awaiting fresh developments in the bid situation, **London Sumatra** eased afresh to 122p before closing 3 easier on balance at 135p *compared* with the 150p a share cash offer on the table from McLeod-Sipef.

Erratic RTZ

On better-than-expected annual figures, **Rio Tinto-Zinc** advanced to 201p before reacting to close only a net 3 *higher* at 195p, after active trading. Among other London Financials, **Selection Trust** moved up in sympathy, gaining 6 to 402p.

Elsewhere in the mining sector, a major buying order took **De Beers** up 5 to 326p; the group has announced its joint venture with the Botswana Government for a new diamond mine. Other South African Financials were steady in line with the higher securities Rand.

But features in the market were few. Trading in South African *Golds remained* at a modest level, but they started firmer on the higher bullion price although they shaded in the afternoon to close below the best.

The bullion price closed $1 higher at $179⅞ an ounce, and the Gold Mines Index, reflecting the initially higher investment dollar influences, was 152.3, a gain of 1.6.

Advances were common throughout the list, led by **West Driefontein**, whose quarterly figures are announced to-day with other mines in the Gold Fields group, gaining ½ to £19. **FS Geduld** were the same amount higher at £16½ and **Vaal Reefs** firmed ⅞ to £13⅞.

Afrikander Lease continued to recover after their sharp *fall* at *the end aof last week with Cape* buying pushing the price up to 200p before a reaction led to a close of 190p for a net rise *of* 5.

Australians had a steady undertone, *helped by* the early firmness in the investment premium, but there was no lead from Sydney overnight and trading was at a low ebb. **Tasminex** stood out with a further gain of 15 to 85p on interest inspired by their wolfram prospects. **Hamersley** slipped a further 5 to 170p owing to their strike and bleak marketing hopes.

Coppers were again quiet and Tins were scarcely tested. But **South Crofty** and **Saint Piran** were both 3 harder at 53p, responding to the initial firmness *of the metal price*.

FINANCIAL TIMES STOCK INDICES

—	Apr. 11	Apr. 10	Apr. 7	Apr. 6	Apr. 5	Apr. 4	A year ago
Government Secs.	73.60	73.92	73.96	74.23	74.06	73.84	69.15
Fixed Interest	77.03	77.25	77.41	77.38	77.31	77.22	70.04
Industrial Ordinary	470.4	463.3	467.1	471.4	470.2	467.8	407.9
Gold Mines	152.3	150.7	153.0	153.7	151.6	156.1	119.6
Ord. Div. Yield	5.75	5.82	5.77	5.75	5.76	5.79	5.63
Earnings Y'ld% (full) (*)	16.80	16.99	16.86	17.31	16.80	17.01	17.22
P/E Ratio (net) (*†)	8.21	8.12	8.18	8.17	8.50	8.25	8.48
Dealings marked	4,244	4,662	4,971	5,984	4,844	5,414	4,836
Equity turnover £m.	—	48.19	65.02	78.13	65.16	76.39	33.35
Equity bargains total	—	11,102	11,322	16,894	16,824	22,623	11,040

10 a.m. 462.7. 11 a.m. 462.7. Noon 464.4. 1 p.m. 465.8. 2 p.m. 465.8. 3 p.m. 466.1.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=8.16.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	73.60 (11/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	77.03 (11/4)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (8/3)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Apr. 11	Apr. 10
—Daily		
Gilt-Edged	165.4	182.6
Industries	145.1	150.0
Speculative	30.8	29.2
Totals	96.6	105.1
5-day Av'rage		
Gilt-Edged	174.0	173.3
Industrials	169.3	177.5
Speculative	34.7	39.2
Total	112.5	117.3

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (104)

LOANS (1)
AMERICANS (13)
CANADIANS (6)
BANKS (2)
BEERS (2)
BUILDINGS (9)
CHEMICALS (3)
CINEMAS (1)
DRAPERY & STORES (4)
ELECTRICALS (4)
ENGINEERING (5)
FOODS (1)
HOTELS (1)
INDUSTRIALS (16)
INSURANCE (1)
MOTORS (1)
NEWSPAPERS (1)
PAPER & PRINTING (3)
PROPERTY (1)
SHIPPING (1)
SHOES (1)
TEXTILES (5)
TRUSTS (9)
OILS (1)
MINES (4)

NEW LOWS (39)

BRITISH FUNDS [illegible]
[illegible]

ENGINEERING (2)
Allen, W. G. — Bronx Eng.
FOODS (1)
Tate & Lyle
INDUSTRIALS (2)
Bath & Portland — Trafalgar House
INSURANCE (2)
Equity & Law — Matthews Wrightson
PROPERTY (10)
Bo. 12pc Cnv. — Allnatt London
Gt. Portland Estates — Bilton (P.)
[illegible]
TEXTILES (1)
[illegible]
TRUSTS (1)
[illegible]
OILS (1)
Shell Transport 7pc Pref.
CHEMICALS (1)
Croda Intl. — ICI 5pc Pref.

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	[illegible]	[illegible]	[illegible]
Corpns. Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Prop.	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantation	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Recent Issues	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Apr. 11	Apr. 24	July 6	July 18
Apr. 25	May 9	July 20	Aug. 1
May 10	May 22	Aug. 3	Aug. 17

For rate indications see end of Share Information Service

Stocks favoured for the call included Silvermines, John Haggas, Ladbroke, Burmah Oil, KCA International, Yule Catto, Letraset, Barker and Dobson, Maurice James, Premier Consolidated Oil, *Staflex International*, Keyser Ullman, De Vere Hotels, Lonrho, Mills and Allen, Pacific Copper, Campari, CH Industrial, St. Piran, Maple Macowards, London and Northern, BSG International, Drake and Scull, Intereuropean Property and UDS, while doubles *were arranged in* Gussies A, Silvermines, Spillers, Premier Consolidated Oil, KCA International, Letraset, De Vere Hotels, Campari and UDT. Short-dated calls were taken out in Trafalgar House, Letraset and Rio Tinto-Zinc.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
RTZ	25p	12	195	+3	202	164
Glaxo	50p	10	528	+13	610	515
Letraset	10p	9	159	+8	160	98
ICI	£1	8	355	+2	365	328
BATs Defd.	25p	7	262	+4	260	227
Midland Bank	£1	7	362	—	390	330
Shell Transport	25p	7	520	+2	583	484
BP	£1	6	760	—	864	720
Commercial Union	25p	6	147	—	156	138
Grand Met.	50p	6	108	+3	109	87
Johnson Cleaners	25p	6	95	+7	96	76½
Lonrho	25p	6	71	+1	78	67
Marks & Spencer	25p	6	148	+1	160	136
P. & O. Defd.	£1	6	100	+1	118	93
Royal Insurance	25p	6	362	—	425	330

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
105	F.P.	28/4	123	118	Saga Holidays	123	+5	6.75	2.3	8.5	8.1

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
25	F.P.	[illegible]	38	33	H. Industrials	33	[illegible]
62	F.P.	[illegible]	86	76	Watmough	86	[illegible]

[illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS — GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., April 11, 1978 Index No.	Day's Change %	Est. Earnings Yield% (Max.) Corp. Tax 52%	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) Corp. Tax 52%	Mon. Apr. 10 Index No.	Fri. Apr. 7 Index No.	Thurs. Apr. 6 Index No.	Wed. Apr. 5 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (170)	203.81	+0.5	17.34	5.75	8.15	202.88	204.03	204.78	203.69	159.83
2	Building Materials (27)	184.49	+0.5	17.13	5.68	8.42	183.58	184.34	183.82	181.56	135.68
3	Contracting, Construction (26)	321.59	−0.5	17.91	4.07	8.31	323.21	324.68	324.80	324.77	232.18
4	Electricals (15)	428.08	+0.8	16.12	4.18	8.89	424.60	428.90	435.73	436.45	315.11
5	Engineering Contractors (14)	292.77	+0.5	17.12	6.91	8.01	291.24	292.57	292.85	289.72	214.44
6	Mechanical Engineering (71)	162.42	+0.4	19.15	6.35	7.20	161.76	162.59	162.79	161.68	141.76
8	Metals and Metal Forming (17)	165.15	+0.4	15.88	8.33	8.72	164.41	164.57	164.19	163.00	136.39
	CONSUMER GOODS										
11	(DURABLE) (52)	188.43	+0.3	17.90	5.07	8.07	187.96	188.51	188.86	187.92	142.76
12	Lt. Electronics, Radio TV (15)	221.82	−0.2	15.57	3.85	9.23	222.35	222.88	224.07	222.56	161.42
13	Household Goods (12)	170.43	+0.2	16.77	7.19	8.29	170.07	169.98	169.45	168.78	147.10
14	Motors and Distributors (25)	119.05	+1.0	21.69	6.42	6.74	117.86	118.42	118.13	117.84	92.57
	CONSUMER GOODS										
21	(NON-DURABLE) (176)	198.68	+1.4	16.04	5.84	8.61	195.89	196.98	198.07	197.78	155.68
22	Breweries (14)	227.35	+2.8	14.36	5.85	10.55	221.10	222.17	225.54	225.14	170.65
23	Wines and Spirits (6)	256.39	+3.4	15.78	5.62	9.61	247.96	250.68	253.03	254.20	171.57
24	Entertainment, Catering (17)	254.82	+1.8	13.52	6.69	10.74	250.35	250.71	250.32	249.97	191.37
25	Food Manufacturing (22)	192.31	+1.4	20.82	5.59	6.68	189.74	190.99	189.75	188.87	165.80
26	Food Retailing (16)	194.72	+1.0	14.12	4.69	10.22	192.76	194.93	195.22	193.61	163.05
32	Newspapers, Publishing (13)	341.52	+0.1	11.55	3.75	12.85	341.12	349.00	345.75	342.69	239.15
33	Packaging and Paper (15)	128.49	+0.2	20.43	9.16	7.05	128.20	128.02	128.51	129.32	108.62
34	Stores (39)	185.14	+1.0	10.59	4.32	13.85	183.26	183.93	186.01	185.85	132.50
35	Textiles (25)	173.54	+0.7	21.33	7.77	5.81	172.25	173.68	172.96	173.10	151.19
36	Tobaccos (3)	234.79	+1.7	23.54	7.97	5.05	230.87	232.03	235.50	235.41	208.21
37	Toys and Games (6)	101.06	—	19.99	5.87	6.69	101.06	101.73	101.23	101.09	82.73
41	OTHER GROUPS (97)	186.16	+0.6	17.38	5.98	7.58	185.11	186.76	187.08	187.10	160.92
42	Chemicals (19)	255.76	+0.4	19.60	6.78	6.98	254.62	257.61	258.78	260.88	221.90
43	Pharmaceutical Products (7)	247.09	+1.4	11.38	4.09	11.11	243.67	246.56	246.73	246.03	0.00
44	Office Equipment (6)	128.39	+0.3	18.91	4.86	6.21	127.97	129.32	130.26	130.09	91.84
45	Shipping (10)	422.03	+0.3	23.33	7.18	5.08	420.76	420.57	422.04	422.99	443.97
46	Miscellaneous (55)	195.23	+0.3	17.36	6.35	7.86	194.73	195.81	195.38	194.08	162.75
49	INDUSTRIAL GROUP (495)	202.76	+0.9	16.81	5.80	8.19	200.95	202.17	202.99	202.53	162.74
51	Oils (5)	445.01	+0.2	16.93	4.45	6.70	444.12	443.77	443.03	442.94	448.81
59	500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (100)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63	Discount Houses (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64	Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66	Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance Brokers (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69	Property (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70	Miscellaneous (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (50)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81	Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91	Overseas Traders (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99	ALL-SHARE INDEX (673)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues. Apr. 11	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	107.62	−0.19	—	[illegible]
2	5-15 years	119.40	−0.43	—	[illegible]
3	Over 15 years	124.87	−0.49	—	[illegible]
4	Irredeemables	140.11	−0.39	—	[illegible]
5	All stocks	115.68	−0.36	—	[illegible]

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. Apr. 11	Mon. Apr. 10	Year ago (approx.)
1	Low	5 years	[illegible]	[illegible]	[illegible]
2	Coupons	15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium	5 years	[illegible]	[illegible]	[illegible]
5	Coupons	15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]

		Tuesday, April 11 Index No.	Yield %	Monday April 10	Friday April 7	Thurs. April 6	Wed. April 5	Tuesday April 4	Monday April 3	Friday March 31	Year ago (approx.)
15	20-yr. Red. Deb. & Loans (15)	60.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16	Investment Trust Prefs. (15)	56.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17	Coml. and Indl. Prefs. (20)	72.52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Inv. Tst. Fd. Inct.	95.9	100.0	.....	—
Fixed Int. Fd. Acc.	95.0	100.0	.....	—
Fxd. Int. Fd. Incm.	95.0	100.0	.....	—
Intnl Fd. Acc.	95.0	100.0	.....	—
Intnl Fd. Incm.	95.0	100.0	.....	—
Money Fd. Acc.	95.0	100.0	.....	—
Money Fd. Incm.	95.0	100.0	.....	—
Dist. Fd. Incm.	95.0	100.0	+0.4	8.34
Crown Brt. Inv. 'A'	150.3	—		—

Crusader Insurance Co. Ltd.
Vincula House, Tower Pl., EC3. 01-626 8031

Gth. Prop. April 4	71.7	78.8	.....	—

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	49.4	53.0	+0.1	5.37

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	107.0	112.6	+0.3	—
Property Fd.	102.8	108.2	.....	—
Fixed Interest F.	108.7	114.4	-0.2	—
Gtd. Deposit Fd.	98.2	103.3	+0.1	—
Mixed Fd.	106.0	111.5	+0.1	—

Conv. Dep. Fd.	127.6	.....	—
Money Mkt. Fd.	143.8	.....	—
Mer. Inv. Man. Fd.	103.3	.....	—
Mer. Inv. Pty. Fd.	150.0	.....	—
Equity Bond	56.3	.....	—
Prop. Pens.	155.8	.....	—
Man. Pens.	133.9	.....	—
Equity Pens.	160.3	.....	—
Conv. Dep. Pens.	137.9	.....	—
Mon. Mkt. Pens.	184.8	.....	—

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 5911

Nelex Eq. Cap.	76.0	80.0	.....	—
Nelex Eq. Accum.	106.7	112.3	-0.9	—
Nelex Money Cap.	60.2	63.3	.....	—
Nelex Mon. Acc.	63.2	66.5	.....	—
Nelex Gth Inc Acc.	47.0	49.4	.....	—
Nelex Gth Inc Cap.	46.6	49.0	.....	—

Next sub. day April 25.

Nel Mxd. Fd. Cap.	47.5	50.0	.....	—
Nel Mxd. Fd. Acc.	47.5	50.0	.....	—

For New Court Property see under Rothschild Asset Management

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	*Julian S. Hodge*	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	*Knowsley & Co. Ltd.*	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London Mercantile	6½%
Bank of N.S.W.	6½%	E. Manson & Co. Ltd.	8 %
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
■ Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	8½%	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
■ Charterhouse Japhet	6½%	Shenley Trust	9½%
Choulartons	6½%	Standard Chartered	6½%
C. E. Coates	7½%	Trade Dev. Bank	6½%
Consolidated Credits	6½%	*Trustee Savings Bank*	6½%
Co-operative Bank *	6½%	Twentieth Century Bk.	7½%
Corinthian Securities	6½%	United Bank of Kuwait	6½%
Credit Lyonnais	6½%	Whiteaway Laidlaw	7 %
The Cyprus Popular Bk.	6½%	Williams & Glyn's	6½%
Duncan Lawrie ¶	6½%	Yorkshire Bank	6½%
Eagil Trust	8½%		
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8 %		
■ Antony Gibbs	6½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
■ Guinness Mahon	6½%		
■ Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to 25,000 3½% and over £25,000 4¼%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.

Jardine Flem.Int.†	SHK9.36		.....	—

NAV Mar. 31. *Equivalent $US88.38.
Next sub. April 28.

Kemp-Gee Management Jersey Ltd.
1, Charing Cross, St. Helier, Jersey. 0534 73741

Kemp-Gee Capital	84.1	86.7	+1.8	—
Kemp-Gee Income	66.1	68.2	+0.8	8.27

CMI Ltd. March 30	£13.04	13.37	.....	—
MetalsTst.Mar.16	£11.48	11.76	.....	—
TMT Mar. 9	$US10.18		.....	—
TMT Ltd. Mar 9	£9.28	£9.52	.....	—

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US13.13	-0.03	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ⊕. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281, Greenwich High Road, Greenwich SE10 8NL.
Deposit Rate 5.75, Share Accounts 6.10, Sub'pn. Shares 7.50, Term Shares 2 yrs. fixed 1 over Share Accounts.

LONDON GOLDHAWK
(01-995 8321)
15/17, Chiswick High Road, London W4 2NG.
Deposit Rate 5.75 Share Accounts 6.25, Sub'pn. Shares 7.50.

HEARTS OF OAK AND ENFIELD
(01-805 5666)
Walford House, 201, Hertford Road, Enfield EN3 5LQ.
Deposit Rate 5.55, Share Accounts 5.75, Sub'pn. Shares 7.25, Term Shares 6.75 3 yrs., 6.50 2 yrs., 6.25 1 yr.
* With effect from April 1.

MORNINGTON
(01-267 2971)
158, Kentish Town Road, London NW5 2BT.
Deposit Rate 5.20*, Share Accounts 6.20.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
102 11/16	101 1/16	Treasury 10½pc '78‡‡	101 1/16	.....	10.39	6.28
99⅝	99⅛	Exch. 5pc '76-78‡‡	99 7/16	.....	5.03	6.48
105½	103⅜	Treasury 11½pc '79‡‡	103⅝	−1/16	11.12	7.55
97	94¾	Treasury 3pc '79‡‡	96	−⅛	3.12	5.94
97⅞	95⅞	Electric 4½pc '74-79	96¾	−⅛	4.39	6.60
104 11/16	102⅛	Treasury 10½pc '79‡‡	102⅜xd	−⅛	10.26	8.82
96½	94¾	Electric 3½pc '76-79	95⅞xd	−⅛	3.65	6.26
103⅛	100¼	Treasury 9pc 1980‡‡	100¼	−¼	8.98	8.83
102 15/16	100½	Treasury 9½pc '80‡‡	100 7/16xd	−¼	9.45	9.22
95⅛	93	Treasury 3½pc '77-80	93½	.....	3.74	6.76
96½	94	Funding 5¼pc '78-80‡‡	95⅝	.....	5.49	7.46
110¼	107	Exchequer 13pc 1980‡‡	107	−¼	12.15	9.88
106¼	103⅝	Treasury 11½pc 1981‡‡	104 1/16	−¼	11.05	9.76
91⅝	89⅞	Treasury 3½pc 1979-81	89⅞	−⅛	3.89	7.51
101¾	99¼	Treasury 9¾pc 1981‡‡	100 7/16	−⅜	9.71	9.57
97 7/16	95¼	Exch. 8¼pc 1981	96 7/16	−⅜	8.55	9.57
100¾	98 5/16	Exch. 9½pc 1981	99 7/16	−⅜	9.55	9.69
87 13/16	87½	Exch. 3pc 1981	87 5/16	−1/16	3.43	7.24
96 11/16	96⅛	Treas. Variable '81§§	96 7/16xd	−1/16	6.22	7.64
111	107 7/16	Exch. 12¾pc 1981‡‡	107 7/16	−⅜	11.87	10.22
99½	95 11/16	Treas. 8½pc '80-82‡‡	96½	−¼	8.81	9.61
86⅝	84	Treasury 3pc '82‡‡	85⅜	−⅛	3.51	7.43
115⅞	111¾	Treasury 14pc '82‡‡	112¼	−⅜	12.47	10.13
96	95 11/16	Treas. Variable '82§§	95¾	+1/16	6.78	7.70
96⅜	93 11/16	Treasury 8¼pc '82	94 13/16	−⅜	8.70	9.77
100¼	96½	Exch. 9¼pc 1982	97½	−1/16	9.49	9.94
96 13/16	95⅜	Exch. 8¾pc 1983●	95⅜	−⅜	9.17	9.99
85¼	81	Exch 3pc '83	82 1/16	−⅛	3.65	7.43
114¼	105⅜	Treasury 12pc 1983‡‡	107½	−¼	11.16	10.03

Five to Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
100⅛	95¼	Treasury 9½pc '83	98½	−¼	9.60	10.15
89⅝	85½	Funding 5½pc '82-84‡‡	86½	−¼	6.46	8.83
96⅞	93	Treasury 8½pc '84-86‡‡	94	−¼	9.25	9.97
87⅝	81¼	Funding 6½pc '85-87‡‡	81¼xd	−¼	7.97	9.59
89⅝	85	Treasury 7¾pc '85-88‡‡	85¾	−¼	9.21	10.36
68⅜	63⅞	Transport 3pc '78-88	64¼	−⅜	4.73	8.40
75⅝	68⅛	Treasury 5pc '86-89	68⅛xd	−⅜	7.33	9.64
115¼	108⅞	Treasury 13pc 1990‡‡	110¼	−½	12.13	11.84
89⅜	84⅜	Treasury 8¼ 87-90‡‡	84⅞	−⅜	10.04	10.92
106½	100⅛	Treasury 11¾pc 1991	101½	−½	11.92	11.96
75⅛	67⅝	Funding 5¾pc '87-91‡‡	67⅝	−⅜	8.52	10.35
112⅛	106	Treasury 12¾pc '92‡‡	107⅛	−½	12.22	12.08
96⅜	88¼	Treasury 10pc 1992	89⅜	−½	11.36	11.77
113	101⅜	Exch. 12¼pc '92	102½	−½	12.13	12.10

Over Fifteen Years

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
110⅝	104⅛	Treasury 12½pc '93‡‡	105½	−½	12.20	12.13
72⅜	64½	Funding 6pc 1993‡‡	65	−⅜	9.30	10.75
120⅛	114	Treasury 13¾pc 1993‡‡	115½	−½	12.47	12.26
128⅞	115¾	Treasury 14½pc '94‡‡	117	−½	12.57	12.27
114⅛	102¾	Exch. 12½pc 1994	103⅞	−½	12.23	12.18
89⅞	81⅛	Treasury 9pc '94‡‡	81⅛xd	−⅜	10.98	11.45
106¾	100⅝	Treasury 12pc '95	101⅞	−½	12.08	12.08
51⅞	46⅝	Gas 3pc '90/95	46⅝xd	−¼	6.41	9.27
95	88⅝	Exch. 10¼pc 1995●	89½	−½	11.67	11.92
200	103⅜	Treasury 12¾pc '95‡‡	103⅜xd	−½	12.20	12.13
90½	81¼	Treasury 9pc '92-96‡‡	81¼	−½	11.17	11.59
131½	119½	Treasury 15¼pc '96‡‡	119⅝xd	−½	12.66	12.39
117⅝	106⅝	Exchequer 13¼pc '96‡‡	106⅝xd	−½	12.29	12.18
50	45¾	Redemption 3pc 1986-96	45¾	−¼	6.57	9.15
115¼	109⅛	Treasury 13¾pc '97‡‡	110½	−½	12.31	12.20
98⅝	90¼	Exchequer 10½pc 1997	90½	−½	11.79	11.96
88¼	79	Treasury 8¾pc 1997‡‡	79⅝	−¼	11.16	11.56
72¼	64¼	Treasury 6¾pc '95-98‡‡	64¼xd	−⅜	10.45	11.23
135⅛	122½	Treas. 15½pc '98‡‡	123½	−½	12.61	12.38
90½	85½	Treasury 9½pc 1999‡‡	85⅝	−⅜	11.40	11.63
96¼	90¾	Treasury 10½pc 1999	91⅛	−⅝	11.84	11.98
42½	39¼	Funding 3½pc '99-04	39⅜	−¼	9.88	10.34
80⅞	72	Treasury 8pc '02-06‡‡	72	−⅜	11.13	11.33
56⅜	51⅛	Treasury 5½pc '08-12‡‡	51⅛	−⅜	10.86	11.12
76⅜	71	Treasury 7¾pc '12-15‡‡	71	−⅜	11.17	11.25

Undated

1978 High	Low	Stock	£	+ or −	Yield Int.	Red.
37⅛	34⅝	Consols 4pc	34⅝	−⅛	11.81	—
37⅞	35½	War Loan 3½pc‡‡	35½	−⅛	10.18	—
39¼	36¼	Conv. 3½pc '61 Aft	36¼	−⅛	9.68	—
28⅝	25⅛	Treasury 3pc 66 Aft	25¼	−⅛	11.91	—
24⅛	21⅞	Consols 2½pc	21⅞	−⅛	11.45	—
24	21⅛	Treasury 2½pc	21⅛	−⅛	11.88	—

**INTERNATIONAL BANK

88 | 83½ | 5pc Stock '77-82 | 83½ | ..... | 5.99 | 9.74

**CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

AMERICANS—Continued

[illegible]

S.E. List Premium 46¾% (based on $US1.8752 per £)

Conversion factor 0.6829 (0.6839)

CANADIANS

[illegible]

S.E. List Premium 46¾% (based on $2.1450 per £)

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
210	155	Falcon Rh.50c	185xd	......	Q50c	1.3	23.1
24	17	Rhod'n Corp. 16⅔p.	19	......	0.57	4.3	4.5
73	52	Roan Cons. K4	70	......	—	—	—
137	122	Tanganyika 50p	128	......	Q11.0	1.1	8.6
80	78	Do. Pref. 80p	80	......	Q9%	16.4	9.0
41	32	Wankie Col. Rh.1	39	......	†Q7½c	1.4	17.3
12½	10	Zam Cpr. SBD0.24	11½	......	—	—	—

AUSTRALIAN

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
12	10	Acmex 25c	10	......	—	—	—
103	64	Bougainville 50 Toea	98	−2	Q8c	1.4	5.1
77	63	BH South 50c	75	−1	—	—	—
192	148	Conzinc Riotinto 50c	182	−2	Q10c	2.2	3.4
72	52	G.M. Kalgoorlie $1	58	......	—	—	—
96	81	Hampton Areas 5p	96	+1	1.45	4.1	2.3
17	10	Metals Ex. 50c	13	......	—	—	—
171	125	M.I.M. Hldgs. 50c	168	−3	Q9c	1.7	3.3
23	10	Mount Lyell 25c	22	......	—	—	—
2½	1½	Newmetal 10c	1½	......	—	—	—
103	79	North B. Hill 50c	103	+1	Q8c	1.5	4.8
11½	8½	Nth. Kalgurli	11	......	—	—	—
155	117	Oakbridge $A1	152	+1	†Q11c	1.9	4.5
37	30	Pacific Copper	34	......	—	—	—
£10	750	Pancont'l 25c	925	−25	—	—	—
18½	12	Paringa M&Ex. 5p	15½	......	—	—	—
457	310	Peko-Wallsend 50c	450	+3	Q15c	4.0	2.1
111	84	Westn. Mining 50c	106xd	−2	Q6c	1.4	3.5
50	35	Whim Creek 20c	40	−5	—	—	—

TINS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
30	24	Amal. Nigeria	24	−1	†2.51	1.6	15.9
290	240	Ayer Hitam $M1	290	+5	‡Q46c	0.9	‡
55	45	Beralt Tin	53	......	3.75	2.3	10.7
235	200	Berjuntai $M1	235	......	‡Q110c	ϕ	‡
126	111	Geevor	120	+5	18.05	3.4	22.8
10	8½	Gold & Base 12½p	9	+½	—	—	—
270	225	Gopeng Cons.	225	......	15.0	0.9	10.1
150	130	Hongkong	147	......	—	—	—
93	83	Idris 10p	83	......	7.5	ϕ	13.7
11	10	Jantar 12½p	11	......	—	—	—
73	68	Kamunting $M0.50	69	......	ZQ15.5c	0.7	4.8
450	450	Killinghall	450	......	Q125	ϕ	27.8
320	280	Malay Dredging $M1	280	......	†Q95c	0.8	7.3
50	40	♣Pahang	49	......	†Q2.5	0.5	5.1
58	50	Pengkalen 10p	50	......	6.5	1.3	19.7
190	165	Petaling $M1	172	......	mQ12½c	10.9	1.6
61	49	Saint Piran	53	+3	g1.99	4.6	5.7
61	47	South Crofty 10p	53	+3	b4.13	1.5	11.8
180	140	South Kinta $M0.50	145	......	†Q77.8c	1.4	11.5
280	235	Sthn. Malayan $M1	235xd	......	†Q131.3c	1.1	12.0
170	134	Sungei Besi $M1	168	......	—	—	—
68	55	Supreme Corp. $M1	68	......	ZQ10c	—	3.2
100	90	Tanjong 15p	90	......	4.5	ϕ	7.6
90	74	Tongkah Hrbr. $M1	85	......	Q6.2%	1.6	14.4
180	148	Tronoh $M1	173	......	ZQ88c	ϕ	10.9

COPPER

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
96	70	Messina R0.50	84	−2	‡Q30c	1.9	‡

MISCELLANEOUS

1978 High	Low	Stock	Price	+ or −	Div. Net	Cvr	Y'ld Gr's
9	9	Burma Mines 17½p	9	......	—	—	—
300	220	Cons. Murch. 10c	250	......	Q30c	2.6	7.2
325	245	Northgate C$1	297	......	—	—	—
202	164	R.T.Z.	195	+3	9.5	ϕ	7.6
46½	31	Sabina Inds. C$1	31	......	—	—	—
950	750	Tara Exptn. $1	818	−7	—	—	—
45	43	Tehidy Minerals 10p	43	......	1.21	2.5	4.3
156	120	Yukon Cons. C$1	156	+4	Q7c	ϕ	2.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† *Unlisted security.*
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♯ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ‡ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. *M Dividend and yield based on prospectus or other official* estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on *assumption Treasury Bill Rate stays unchanged until maturity* of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 42

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −
Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	24	−2
Bdg'wtr. Est. 50p	282	......
Clover Croft	22	......
Craig & Rose £1	410	......
Dyson (R. A.) A.	41	......
Ellis & McHdy	65	+3
Evans Fr'k 10p	57	......
Evered	15¼	......
Fife Forge	47	......
Finlay Pkg. 5p	20xd	......
Graig Ship. £1	165	−15
Higsons Brew	80	......
I.O.M. Stm £1	147	......
Holt (Jos.) 25p	255	......
N'thn. Goldsmith	54	......
Pearce (C. H.)	129	......
Peel Mills	18½	......
Sheffield Brick	46	+1
Sheff. Refrshmt.	51	......
Sindall (Wm.)	83	......

IRISH

Stock	Price	+ or −
Conv. 9% '80/82	£95½	......
Alliance Gas	65	−10
Arnott	290	......
Carroll (P.J.)	92	......
Clondalkin	91xd	−2
Concrete Prods.	128	......
Heiton (Hldgs.)	43	......
Ins. Corp.	200	......
Irish Ropes	132	......
Jacob	65	......
Sunbeam	28xd	−1
T.M.G.	175	−15
Unidare	82	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	23	Tube Invest.	30
A.P. Cement	18	"Imps"	7	Unilever	40
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	10	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	5	Woolworths	6
Beecham	38	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¼
Bowaters	16	Lex Service	7	Cap. Counties	5
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	5	Intreuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	18
Burton 'A'	13	Lonrho	7	*MEPC*	12½
Cadburys	5	Lucas Inds.	25	Peachey	10
Courtaulds	10	Lyons (J.)	13	Samuel Props.	10
Debenhams	10	"Mams"	7	Town & City	2
Distillers	13	Mrks. & Spncr	11	**Oils**	
Dunlop	8½	Midland Bank	25	Brit. Petroleum	35
Eagle Star	11	N.E.I.	20	Burmah Oil	7
E.M.I.	18	Nat. West. Bank	22	Charterhall	3½
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	10	Ultramar	22
Glaxo	40	Plessey	9	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	18	Rank Org. 'A'	18	Cons. Gold	20
Guardian	18	Reed Intl.	14	Rio T. Zinc	16
G.K.N.	22	Spillers	4		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday April 12 1978

Sterling and equities gain

● STERLING gained ground in response to the Budget which was generally well received. The 1 per cent. increase in MLR to 7½ per cent. seemed to prompt the rise. It closed at $1.8780, up 15 points. Its trade-weighted index closed at 62.3 (62.2). Dollar's trade-weighted depreciation narrowed to 6.27 (6.28) per cent.

● EQUITIES were boosted after first interpretations of the Chancellor's proposals. The late improvement resulted mainly from a mark-up. FT 30-Share Index closed 7.1 higher at 470.4. City reaction, Page 19

● GILTS gave a little ground with longs recording losses to half a point and falls in shorts ranging to ⅜. Government Securities Index lost 0.32 to 73.60.

● GOLD closed $1 up at $179.875.

● WALL STREET closed at 770.18, down 3.47.

NEWS SUMMARY

Rhodesia Cabinet moves

Nine black Ministers were appointed last night to serve with nine whites in Rhodesia's transitional Government.

Announcement of the names of the white Ministers has been delayed, giving rise to speculation that some of Mr. Ian Smith's Ministerial nominations have not been approved by his three black colleagues on the governing Executive Council.

Red Brigades guard murdered

Three gunmen shot and killed a guard at a Turin jail where 15 Red Brigades guerillas are being held while on trial for subversion. One of the gunmen was wounded and arrested. Page 2

Israel pull-back

Israeli occupation forces maintained firm control over most of south Lebanon despite a limited withdrawal from part of the territory seized in the recent invasion. Page 4

The freeze-up

Parts of South-east England were more wintry than at any time during the winter months, the R.A.C. reported. Forecasters said the freeze-up would probably continue for several more days.

Rail dispute

Train services in and out of Waterloo main line station are likely to be severely disrupted to-day because of a one-day unofficial strike by drivers.

Briefly . . .

The Sun newspaper has failed to appear for the second successive day because of a safety dispute.

The Claridges Hotel staff dispute was made official by the General and Municipal Workers' Union. Page 8. Men and Matters, Page 23

John Francome, the National Hunt jockey and bookmaker John Banks have been called to a Jockey Club disciplinary committee investigation on April 25. To-day's racing, Page 24

Leon Spinks is to defend his world heavyweight title in a rematch against Muhammed Ali at New Orleans on September 15.

BUSINESS

N. Sea drilling go-ahead

● FIVE offshore groups, each with British National Oil Corporation as a 51 per cent. partner, were told by the Government that they could drill in North Sea areas covered by seven concessions under the fifth round of licences. Page 6

● NATIONAL Freight Corporation, in the view of the Government, should return to year-on-year profitability because of the financial reconstruction proposed in the Transport Bill now before Parliament. Page 6

● SHIPOWNERS facing liquidity problems because of the slump should be granted a three year moratorium on debt to shipyards by the Government. Page 6

COMPANIES

● RIO TINTO-ZINC earned £82.3m. last year (£81.3m.) but charged £40.4m. against the fall in the sterling value of prior years' earnings retained in overseas subsidiaries. Dividend total is 9.5p (8p.). Page 28

● IMPERIAL Metal Industries' spending on fixed assets was expected to increase from £15m. last year to £22m. this year, Sir Michael Clapham, chairman, said. Page 27

Transkei—no action planned by Vorster

BY QUENTIN PEEL — JOHANNESBURG, April 11.

MR. JOHN VORSTER, the South African Prime Minister, to-day warned Transkei that its decision to break off diplomatic relations with its parent country could be only to its disadvantage—but he did not outline any direct response.

He denied any South African responsibility for the move by Chief Kaiser Matanzima, Prime Minister of the former South African homeland, but said that he could not interfere in any way in the decisions of what was "as independent as any other country in the world can or will be."

In a speech to Parliament devoted entirely to the issue of Transkei, Mr. Vorster did not mention what effect the diplomatic break might have on the economic and development agreements signed by the two Prime Ministers before Transkei was given its independence.

"In regard to Transkei the ball is not in my court but in the court of Mr. Matanzima," he said. "For the moment it is he who has made his bed, and he must sleep in it.

"I am sorry that the Prime Minister of Transkei has acted in this way—acted patently to his own disadvantage."

He rejected Chief Matanzima's claim that South Africa had acted in a contemptuous and brutal way over the question of consolidating the area of East Griqualand into the province of Natal and not into the Transkei, which the Transkeian Prime Minister cited as his reason for breaking off relations.

No reply had yet been sent to his latest claim to the land, and Chief Matanzima had taken his decision while the demands and documents were still being studied, he said.

Transkei had become independent "fully knowing it would not gain international recognition for its independence."

Mr. Vorster's statement provides no clarification on what will happen to the overwhelming South African budget support for Transkei—about R160m. out of a R240m. total last year—or to the South African officials seconded to the Transkei civil service.

South African officials said to-day that so far it was too early to say what would be affected.

Specific problem areas concern the 1m. Transkei citizens living and working in (white) South Africa, who will be unable to obtain their "travel documents," and what will happen to border posts where Transkei is divided into three separate parts by South African territory (including the disputed East Griqualand).

Professor M. Njisane, the Transkei Ambassador in Pretoria, said that the land issue was not the only cause of the break, but that the question of the rights of Transkei citizens in South Africa, and the enforced repatriation of squatters living outside Cape Town had been major issues.

Mr. Vorster said that he was aware certain "influential people" had recently visited Transkei and had talks with Chief Matanzima. It had been suggested to the Transkei Prime Minister that the only way to win international recognition was to break its ties with South Africa.

Editorial Comment, Page 22

GEC sells half South African subsidiary to Barlow Rand

BY MAX WILKINSON

THE General Electric Company (GEC) has sold half its South African subsidiary to Barlow Rand for £15.6m.

GEC says it has been anxious for some years to secure local participation in its South African company, but has not found the right company until now.

Barlow Rand is an industrial and mining company with a turnover last year of £764m. Its operations are complementary to those of GEC rather than competitive.

GEC's subsidiary in South Africa had a turnover estimated at £123m. in the year ended March, 1978. Profit is estimated at £5.5m. in the same year.

The GEC subsidiary was started at the turn of the century. Since then it has grown to have a product range similar to that of the parent company including power generation and telecommunications equipment, electric motors, transmission equipment and automatic controls.

The GEC trademark will be retained, and GEC will continue to support the company. However, Barlow Rand will appoint the chairman. The move reflects that of several other large electrical companies, like Siemens, of West Germany, which have tried to obtain partnership agreements for overseas subsidiaries.

One reason is that governments tend to show preference to locally-owned companies when awarding major contracts in telecommunications and power generation.

Richard Rolfe, in Johannesburg, adds: Barlow Rand is to finance the bulk of the purchase by a rights issue of preferred ordinary shares. The issue will be of five preference ordinary shares for every 100 ordinary shares held on a prescribed date at a price of 370 cents per share.

A number of GEC quoted subsidiaries, like Marthinnsen and the joint GEC-Plessey telephone equipment company, are not affected.

Drop in immigration 'not rigged'

BY RUPERT CORNWELL, LOBBY STAFF

THE BITTER political row over immigration intensified last night as the Prime Minister flatly rejected reported allegations by Mr. William Whitelaw, the Conservative deputy leader, that he had ordered immigration to be kept artificially low for electoral reasons.

The dispute stems from remarks said to have been made by Mr. Whitelaw at a private meeting of Conservative MPs on Monday where he explained the toughly-worded measures to curb immigration he outlined at the week-end.

Mr. Whitelaw is alleged to have claimed that Mr. Callaghan ordered British officials in the Indian sub-continent to reduce the pace at which applications for U.K. entry were being processed.

Yesterday the Prime Minister dismissed the accusation as totally false and demanded a full retraction. In response the Tory deputy leader merely issued a statement which, although it denied that he had named the Prime Minister personally, claimed only that the remarks had been taken out of context.

Downing Street returned to the attack with a more detailed denial that the 20 per cent. drop in immigration last year had been rigged. No instructions had been given to civil servants, and in both India and Bangladesh the waiting time between application and first interview had been cut in 1977, although it had risen in Pakistan.

Continued from Page 1

£2bn. cut

This suggests that unless there is a significant revision of the projection, as happened last year, there will be little scope for a mini-Budget, say in July. The borrowing requirement was £5.76bn. in the financial year just ended.

Mr. Healey also announced additional public spending in the coming financial year which will commit just over £550m. of the £750m. contingency reserve. This is specifically intended for extra items within the planned total of public spending.

The proposals, including extra money for special employment measures, education, the health service and energy saving confirm that the Treasury was partly successful in resisting proposals put to the Cabinet to commit £800m. in 1978-79.

The Treasury is believed to have wanted to limit the commitment now to between £350m. and £400m. While it succeeded in limiting the rise in pensions and other social security benefits to merely what is required by law, the phased rise in child benefits starting in November at a cost of £165m. was originally opposed by the Treasury and the change is unexpected.

March car output highest since July 1976

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

FOR THE first time in two years, production in the British motor industry is showing signs of a sufficiently sustained revival to meet the growth of demand and make some impact on imports.

The latest figures, published by the Department of Industry yesterday, show that seasonally adjusted car output rose last month to 126,000 units, the highest figure since the 131,000 recorded in July, 1976.

This follows two fairly good months in January and February, in each of which seasonally adjusted output reached 112,000 units, to give a 9 per cent. improvement overall on the previous quarter's production.

Recorded output for the five-week period, which included the Easter holidays, came to 139,000 units.

The main reason for the improvement is the spell of industrial peace in the last three months.

There have been two serious disputes in this period; one at Ford's Halewood plant, which ran for six weeks and is now settled, and the strike at Leyland's Speke plant at Liverpool, where TR7 production is now being stopped.

Overall the record has been good, with output at Leyland, which accounts for more than 60 per cent. of British production, remaining steady for the last three months, and Chrysler beginning to make significant steps forward.

The industry is hopeful that this improvement can be maintained throughout April and May, which are usually good months, as the holiday season approaches.

Because of the growth in sales so far this year—March registrations, at 179,000 were a record for the month—the U.K. manufacturers need to sustain this high rate of output to prevent imports gaining further in the market.

Separate figures issued yesterday by the Society of Motor Manufacturers and Traders indicate that British Leyland's production is now building up to the target of 18,000 units a week which the new management has been aiming to sustain throughout this year.

Table, Page 6

Continued from Page 1

Carter curb on Federal pay

American people would expect the U.S. private sector to follow the example set by Federal workers. But wage earners would also expect private industry to moderate price increases and the White House Council on Wage and Price Stability had already begun to talk with representatives of major industries.

The speech was tougher in tone than previous addresses, but it contained few new concrete proposals that would have an immediate effect on the inflation rate, which has been edging upwards in the past few months and is expected to be about 7.2 per cent. over the year as a whole.

Mr. Carter said it was a "myth that the Government can itself stop inflation," and it was important not to stifle the nation's economic recovery. But there were immediate steps that could be taken to take some of the inflationary heat out of the present situation.

These include immediate passage by the Congress of the Hospital Containment Cost Bill already sent to Capitol Hill and the abandonment of the multi-billion dollar emergency farm legislation already passed by the Senate. Mr. Carter said that he would veto this Bill if it should also be passed by the House.

The President also promised to veto any and all legislation that threatened the "integrity of my budget."

He said that "as opportunities arise" the Administration would also work to reduce the budget deficit but in the meanwhile "I will exercise my veto authority to keep the 1979 budget deficit at or below the limits I have proposed."

Mr. Carter concluded with a quotation from Mr. Walter Lippmann, the U.S. columnist, who noted 40 years ago that there is nothing for nothing any longer. He urged the American people to show a new willingness to "sacrifice for the common good."

U.S. bid planned for Leslie, Godwin shares

BY JOHN MOORE

FRANK B. HALL, one of the biggest U.S. insurance brokers, is planning to make a cash offer of more than £18m. for the shares of the British broker, Leslie and Godwin. Leslie and Godwin's shares were suspended at 93p when it was announced that talks were taking place.

Hall said yesterday that, "subject to the appropriate consents, the talks are expected to lead to a recommended cash offer which would be at a significant premium over Monday night's closing price of 93p."

In the market, brokers were suggesting that a 130-140p per share cash offer was possible.

As a result of the bid, a new company called Frank B. Hall (U.K.) would be created, in which 80 per cent. of the capital would be held by Hall and the balance by Rothschild Investment Trust, which will step up its stake from 10.5 per cent. of the present Leslie equity.

Rothschilds has been associated with Leslie for many years and Hall asked for this association to be maintained for the sake of continuity of British involvement.

Property

More than half of Hall's business comes from the broking of casualty and property insurance, with the balance split between marine, aviation, and life and pensions. It is well represented in overseas markets, where it services affiliates of large multinational companies.

In its last financial year, Hall had revenues of about $150m. and profits net of tax of $18m.

Leslie and Godwin sought to improve its access to the U.S. market for some time. It suffered a setback recently when its principal source of U.S. domestic business, Pritchard and Baird—where Leslie had an exclusive arrangement to handle non-marine insurance—went bankrupt in 1976. Latest pre-tax profits from Leslie are £4.13m.

Because Leslie and Godwin is a Lloyd's broker, discussions are taking place about whether its Lloyd's status will be affected by new ownership. Lloyd's said yesterday that the question would be considered by the Committee of Lloyd's at a meeting next Wednesday.

News Analysis, Page 27

Weather

U.K. TO-DAY

SHOWERY or snow showers with sunny intervals.

London, S.E., Cent. Southern England, Midlands

Cloudy with some rain or snow. Max. 6C (43F).

Channel Is., S.W. England, S. Wales, N. Ireland

Cloudy, rain or snow at first. Max. 7C or 8C (45F or 46F).

E. Anglia, E., Cent. Northern, N.E. England, Borders, Edinburgh and Dundee

Sunny intervals, scattered snow showers. Max. 4C (39F).

N. Wales, N.W. England, Lakes, Isle of Man, S.W., N.W. Scotland, Glasgow, Argyll

Sunny intervals, scattered snow showers. Max. 6C (43F).

Aberdeen, Cent. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland

Sunny intervals, heavy snow showers. Max. 2C (36F).

Outlook: Generally cloudy with occasional rain

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Auckland	F	22	72	London	S	5	41
Amstdm.	Sl	1	34	Luxemb'g	C	2	36
Athens	S	18	64	Madrid	F	9	48
Barcelona	R	9	48	Manchstr.	F	5	41
Beirut	S	19	66	Melbourne	F	18	64
Belfast	R	6	43	Milan	C	9	48
Belgrade	S	18	64	Moscow	F	9	48
Berlin	C	12	54	Munich	C	5	41
Brmghm.	F	4	39	Newcastle	F	5	41
Bristol	F	5	41	Oslo	S	7	45
Brussels	Sl	3	37	Paris	F	7	45
Budapest	C	15	59	Perth	F	25	77
Cardiff	F	5	41	Prague	F	16	61
Cologne	S	6	43	Reykjavik	S	4	39
Copnhagn.	S	8	46	Rome	C	16	61
Dublin	C	7	45	Stockholm	F	10	50
Edinburgh	C	5	41	Strasbrg.	F	7	45
Frankfurt	F	7	45	Sydney	F	26	79
Glasgow	F	5	41	Tel Aviv	S	18	64
Glasgow	F	6	43	Vienna	S	19	66
Helsinki	C	8	46	Warsaw	C	16	61
Lisbon	S	14	57	Zurich	C	2	36

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	C	16	61	Jersey	F	4	39
Algiers	C	18	64	Las Plms.	C	18	64
Biarritz	C	7	43	Locarno	R	6	43
Blackpool	F	5	41	Majorca	C	15	59
Bordeaux	C	8	46	Malaga	R	12	54
Boulogne	Sn	2	36	Malta	S	19	66
Casablnca.	C	16	61	Naples	F	18	64
Corfu	F	17	63	Nice	F	14	57
Dubrovnik	C	15	59	Nicosia	S	19	66
Faro	F	17	63	Oporto	S	12	54
Florence	C	13	55	Rhodes	S	19	66
Funchal	C	15	59	Salzburg	S	13	55
Gibraltar	R	15	59	Tangier	C	17	63
Guernsey	S	4	39	Tenerife	C	12	54
Innsbruck	F	13	55	Tunis	S	22	72
Inverness	F	4	39	Valencia	R	10	50
I. of Man	F	5	41	Venice	R	12	54
Istanbul	[illegible]	[illegible]	[illegible]				

هكذا من الأصل

THE LEX COLUMN

Inflation targets and the Budget

For all the Chancellor's pretence that yesterday's was a stimulative, give-away Budget, in real terms it emerges as little more than neutral. To this extent, the Chancellor's restraint will find approval in the City.

But the background figures in the Red Book make it clear that Mr. Healey has had to grapple with some quite serious financial problems. Even last year, which should have been quite relaxed on the financial front, the Government ended by overshooting its monetary targets. The danger for 1978-79 is that it will be even more difficult for the Government to remain on the financial tightrope against the background of a substantially more buoyant economy: gross domestic product is forecast to rise by around 3 per cent., compared with virtually no growth last year.

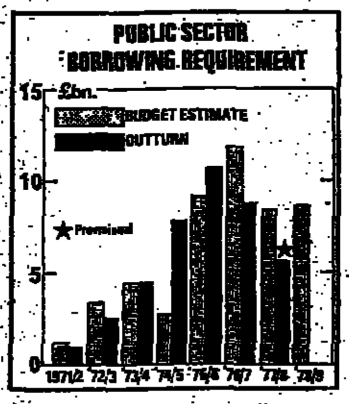
The borrowing target for the new financial year is maybe £500m. higher than has been generally expected—and indeed the same applies to the provisional out-turn for the year just ended. The Treasury seeks to dull this blow, however, by applying somewhat tighter monetary guidelines for 1978-79.

Deft move

To the extent that the combination of fiscal and monetary policies presented yesterday would not have been credible to the monetarist element in the City, the Chancellor played a deft political trick by hoisting Minimum Lending Rate a point to 7½ per cent. This has avoided any possibility that an independent market-inspired rise in MLR this Friday, or soon after—which has been looking almost inevitable—would have been interpreted as a rejection of the package by the financial markets.

This shrewd move does not, however, obscure the underlying problem that the course of official policy is still skirting the very edges of the range of practical possibilities. Just how narrow is the margin of error depends on the degree of confidence that can be attached to a forecast of a public sector borrowing requirement of £8.54bn. In looking back on a financial year in which the Treasury's initial PSBR forecast turned out to be some £4bn. too high, the Chancellor himself yesterday expressed some healthy scepticism about financial prognostication.

Index rose 7.1 to 470.4



Just possibly the forecast has again been pitched deliberately high this year by the Treasury, but it would be surprising if the degree of undershooting were to be as large. The final quarter of 1977-78 featured a PSBR which, at over £2bn. on a seasonally adjusted basis (according to the provisional outturn) was much higher than in earlier quarters. Favourable factors last year, like the BP sale and changes in the financing of export credit, will not recur.

So once again there will be heavy demands by the Government on the capital markets. For the third year in a row net sales of gilt-edged will probably need to be of the order of £5bn., thus pre-empting most of the cash flow of the savings institutions which could be of the order of £8bn. In addition the Government — through new issues of National Savings and Tax Deposit Certificates—will be trying to tap the liquidity of small savers and companies.

Money target

The shading of the target range for the growth of sterling M3 to 8-12 per cent. will receive a cautious welcome in the City. The achievement of a target of around 10 per cent. in the context of the expected rate of economic growth would underline the Government's determination to keep inflation well into the single figure range. But the risk is that a permitted rise in M3 of only £4.5bn. or so does not leave enough headroom for bank lending to the private sector to rise in line with economic activity.

For the corporate sector there are few specific messages in this Budget though there will clearly be some sighs of relief from the traditional indirect tax whipping boys—Distillers' share price rose 6p to 181p last night for instance. The well foreshadowed overall message is that domestic demand will be stronger than for some years with consumer spending rising by some 4 per cent. in real terms over the next year.

Base rates

Just one sector gets direct help from the Budget: the clearing banks, their profits lagging, will welcome a chance to get their base rates up.

Among the tax changes, companies are offered a useful concession through the proposal to limit the build-up in stock relief which has become a more important need now that the prospect of an accepted inflation accounting standard has receded into the distant future. The refusal to index capital gains tax for individuals is regrettable, but clearly the Inland Revenue, with its perennial quibbles about its workload, won the day here. There is, however, also a marginal capital gains tax concession to investment trusts and unit trusts.

Equities responded well on the spur of the moment last night but there are no specific features — no mention of the end of dividend control, for instance — which could have a major effect on sentiment. Significantly, the reaction of gilt edged brokers was more muted and for them the outlook for inflation beyond the end of this year remains a key point.

In the very short term the gilt-edged market will be braced for a move by the Government broker, who has been inactive for some weeks. Now that the rise in MLR is out of the way he can be expected to drop the price of the short tap, with the aim of clearing out the relatively small amount remaining unsold.

The market is probably expecting a rather greater acceleration in inflation in 1979 than the Treasury, which is talking about a rise of only 7 per cent. this summer to 8 per cent. by this time next year. The progress of the pay policy during the next few months will determine whether Mr. Healey will be able to tighten his M3 target in the autumn, as he hinted, or whether he may even have to relax it. That is the next, and greater, hurdle.

Registered at the Post Office. Printed by St. Clement's Press for and published by the Financial Times Ltd., Bracken House, Cannon Street, London EC4P 4BY.